

# The Management Review

THE MONTH'S  
BEST IN  
BUSINESS  
READING . . .

Personnel  
Production  
Office Management  
Marketing  
Finance  
Insurance  
Packaging  
General Management  
*Books of The Month*

**APRIL, 1952**

## Among the Features

**Productivity Is an Attitude**

**Don't Be Afraid to Stumble**

**Getting Workers in a Tight Labor Market**

**Supervisory Development: 15 Tested Principles**

**Is Your Office Up to Date?**

**Office Lighting—The Imaginative Approach**

**A New Approach to Maintenance**

**Space Management—The Fourth Dimension**

**Sales Supervisory Training**

**Statistical Control for Packaging**

**The Effect of Taxes on Business Planning**

**Getting Accounting Out of Its Strait Jacket**

**Cost of Living Up—Casualty Rates Down**

**Union-Negotiated Pension Plans**

**AMERICAN MANAGEMENT ASSOCIATION**

*Announcing . . .*

# AMA's SPRING INSURANCE CONFERENCE

MAY 19-20 • THE HOTEL STATLER • NEW YORK

**I**N RESPONSE to a steady demand from AMA members for a more intensive discussion of each Conference subject, as well as for the presentation of a greater number of topics, the AMA Spring Insurance Conference this year has been extended to two and one-half days. As a result, this Conference will include more sessions and provide greater opportunity for discussion than ever before.

Subjects to be discussed—in formal presentations and in panel discussions—include:

- Influence of Taxes on Insurance Programs
- Loss Prevention as a Function of Insurance Management
- Adequate Insurance Protection for Traveling Employees
- Experience with Catastrophe Medical Insurance
- Lessons from Case Studies of Losses
- Analysis of Excess and Deductible Property Insurance
- Organizing the Insurance Buyer's Job Efficiently

## **A SPECIAL FEATURE:**

### ***Insurance Workshop Exhibit***

For the first time at any Insurance Conference, printed material used in insurance management, gathered from hundreds of companies, will be displayed. The exhibit will include records or forms used for keeping loss statistics, inter-company educational insurance bulletins, manuals giving supervisors basic information on insurance, reports sent by buyers to management, and similar material in many other areas.

**AMERICAN MANAGEMENT ASSOCIATION**  
330 West 42nd Street New York 36, N. Y.

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M. J. DOOHER, *Editor*; BLANCHE DOLMATCH, *Digest Editor*

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## General Management

### PRODUCTIVITY IS AN ATTITUDE

DURING THE LAST few years the American business system has been examined, probed, and dissected as no other economic system has been in the past. Several thousand hand-picked experts—organized in some 200 "productivity teams" under the Marshall Plan and financed mostly by the funds the European governments themselves provide as their share—have been touring the U. S. since 1949 to find out what underlies America's high productivity. And most of them have stayed long enough—some as long as nine months—to get more than a tourist's view.

Officially the program goes by the name of "Technical Assistance," and its purpose is to find American techniques for European use. However, every team speedily discovered for itself that techniques are not the important thing, and are certainly not the real cause of our productivity. "Productivity is an attitude of mind," the report of the team from the British letterpress printing industry summed it up; and, in one way or another, every team has said the same. Attitude, social organization, and moral value, those, the experts from the other side report, underlie and explain America's industrial achievement.

Five things, in particular, impress our visitors as being fundamental and, at the same time, as presenting the greatest contrast to Europe:

1. *The discovery of management.* "The United States has made a major discovery—that it is management that makes the wheels go round," a successful French

manufacturer said, summing up the main impressions of his team. "In your country the basic decisions are made by men who know the business from the ground up, who consider it their main interest in life, and who got their job because of their competence. With us it is still largely the absentee-owner—a family group or a banker—who really decides; the people who run the business are rarely much more than technicians or badly paid chief clerks. As a result, business attracts the best minds in your country, and that, more than anything else, explains how you got where you are today."

2. *Productivity as a social principle.* Most of the visitors, whether labor or management men, tend to look upon increased productivity as primarily a way to increase individual business profits. They find, however, that we look upon profits, not as the rationale of increased productivity, but as the reward for the social benefits they bring: higher wages, lower prices, and more goods for the consumer.

It is to this concept of productivity that our visitors attribute the basic American attitude toward technological progress. Precisely because in this country increased productivity is a social, if not a moral responsibility, American industry and American labor—so our visitors report—believe in, and accept, technological change rather than resist it.

3. *The attitude toward the market.* Our visitors cannot be blamed for believing when they arrive here what we

ourselves have been telling them: that the major factor in our distributive system is the continental span of our market. However, it is not in width but in depth that the American market differs basically from European concepts and business practice—a qualitative rather than a quantitative difference. "That the American is rich beyond our wildest dreams we know in Europe," they said; "but that 'wealth' here is not just an economic term but a social one, that it means that there are the same things for the rich and for the poor, this none of us understood—and it is much more important."

Closely connected with the concept of the mass market is our attitude toward the capacity of the market. "We put our stress on the actually existing market which we tend to take for granted. You look for the potential market," is one way some of the teams put it. It is to this that our visitors attribute our emphasis on research—technical, market, product—the pricing policy of our progressive companies, who often price a new product according to its expected eventual market rather than according to present cost or immediate sales, and the willingness to develop a new product first and to worry about its market later.

4. *Productivity based on diversity and experimentation.* Practically every team starts its tour by asking: "What is the standard American cost-accounting system?" "Does the typical labor contract give the union a voice in the setting of production standards?" "What is the typical American pricing policy?" When told that there is no such thing as "the American policy" they are incredulous. In their own countries or their own industries, such things are usually uniform, set by the government, by an industry-wide labor contract, a nation-wide labor law,

compulsory nation-wide arbitration, or by trade association or cartel. In fact, most of the teams cannot, at first, imagine that important practices and policies could be anything but uniform.

But they eventually come to the conclusion that our diversity is a major cause of our productivity. It means constant experimentation with new methods, ideas, and approaches. It means, also, cooperation and the free interchange of ideas and experiences, which our visitors, believing that competition must mean secretiveness, find particularly surprising.

5. *The importance of the human being.* Industrial training, management development programs, the opportunity for workers to rise to the top, are important factors in America's productive capacity. Such factors as the informality in plants and offices, the attention paid to making work easy for the worker, the skill of the foreman in leading his people, are only a few of the things every visiting team noticed and commented on. Even our labor relations seem to them to be based on deep respect for human beings. What it all adds up to in the minds of our foreign visitors is that this country avails itself of a much larger percentage of its human resources than do their own.

Just how many of these American attitudes have the productivity teams taken home with them? Techniques, processes, gadgets Europe has adopted wholesale—and with good success in many cases. However, attitudes do not transplant quickly or well. The greatest obstacle is that the American beliefs and principles require something of which Europe has an incredible shortage: management. For this reason the emphasis on the training and development of management on all levels that has recently emerged in the Marshall Plan countries represents a major victory.

—PETER F. DRUCKER. *Nation's Business*, April, 1952, p. 34:5.

## DON'T BE AFRAID TO STUMBLE

AT A RECENT convocation of university regents, I told a story—then followed some trails of thought to which it pointed.

Suppose, I said, a half-dozen of us are seated around the walls of a very dark room. We are told that somewhere in the open middle space is a chair. Who would find it? Not those of us who sat still and philosophized about where chairs are placed in rooms. The fellow who would find it is the one who'd get up, then walk and stumble around until he discovered it. Nobody ever found anything while sitting down. So, Q.E.D., *don't be afraid to stumble.*

A study made several years ago indicated that the more education a man has, the less likely he is to invent new things. Perhaps this is because from the moment a youngster starts school he is examined three or four times a year, and a failure or two and he is out. Because an inventor works differently, he thinks that's all wrong. He knows he'll never go far on any problem before he strikes snags. He may fail 999 times, but if on his one-thousandth try he succeeds, he wins! The only time you don't want to fail is the last time you try a thing.

So I suggested to those educators that because static civilizations are dying civilizations—and the same is true of individuals—their job is to teach people *how to fail intelligently*. And I think it's advice worth passing on to business and professional men. Since each of us has to find solutions to problems, everyone, in his own way, should adopt the inventor's approach.

The inventor has been called a "cut-and-try artist"—or perhaps you prefer "trial-and-error," which means the same thing. Actually, he isn't either. What an inventor or research engineer tries to do is to discover the factors in a prob-

lem by experimental evaluation. This is quite different from "cut-and-try" methods, since it emphasizes evaluation as much as it does experimentation.

Research and evaluation will explode many a worry. Take the land, for example. "Why are you worried about people starving to death?" I asked a friend of mine.

"The land is being used up," he said.

"Wait a minute," I came back. "Here in the United States alone we can feed about 200 million people without very much trouble. But in the past 25 years the horse population has gone down 18 million, and for every horse you don't feed you can feed four and one-half people. Without farming one more acre of ground, you can feed 80 million more people. I know it is a little hard on the horses, but—"

My friend didn't answer that, but said, "Then you're going to exhaust our oil and petroleum supplies."

Now I don't like to live in an atmosphere of despair. It is hard on a person. So I suggested we get together the facts about how we are exhausting petroleum and evaluate them.

We found out—and my figures are for the U.S.A. only—that only 5 per cent of the coal has been taken from the mines. Ninety per cent of our petroleum is still underground, and the same is true for natural gas. Shale oil is still untouched. Out in Colorado there is one rock that contains six or seven times as much oil as we have ever used. The best estimate I can get is that we have fuel in sight for 1,500 years.

It is clear that research and evaluative experimentation are essential. And what is research? It is simply trying to find out what we are going to do when we can't keep on doing what we are now

doing. It says to business: Study old human needs, make new ones, then create things to gratify those desires. We may have an overproduction of old things, but there is always a vast under-production of new things.

Every man can be a researcher and an inventor in his own sphere. The way to start is with your own desk. Begin by throwing away the things that shouldn't be there—those golf balls and whatnot. Then take out that old envelope from your pocket and jot down on the back 10

things that bother you about your affairs—business, people, yourself—putting at the top the one that worries you most. Then analyze those things and work on them. Look for angles you haven't thought about before. Above all, let the problem suggest its own ways of solving it.

That's what the inventor does. He is the professional amateur—always trying to look at familiar things as though he had never seen them before. He's not afraid to stumble because he knows each stumble leads him closer to his goal.

—CHARLES F. KETTERING, *The Rotarian*, January, 1952, p. 8:3.

### **Four Kinds of Managers**

IF WE ACCEPT THE DEFINITION, "A manager is a person who gets things done through people," the number of managers in this country today would total approximately 4,500,000. The intelligence, attitude, and individual initiative exemplified by this group of nearly five million is, in large measure, responsible for the attitude of the remaining 58 million individuals on our present workforce.

Managers—and that classification includes everyone from the first-line supervisor to the chairman of the board—can be divided into four classes:

1. *Brilliant and Industrious.* This class is smart and hard-working. They make excellent top and middle management executives and provide maximum service to their superiors.

2. *Brilliant and Lazy.* This class is the rarest and, in the present-day economy, the most valuable. These men make the best officers at the top management level. Their tendency to avoid troublesome and time-consuming details enables them to maintain a necessary perspective. Their plans tend to be simple, direct, and successful.

3. *Stupid and Lazy.* Usually these managers are in the minority. In most well-run organizations they have been weeded out. Those that remain can be used on minor tasks. At least, these managers will do no great harm.

4. *Stupid and Industrious.* This fourth class of management is the greatest in number and by far the most dangerous. Great damage may result from their actions. In backing ill-advised plans with zeal and energy, they may cause disaster. They are, in the main, responsible for the friction between rank and file and top management. These men, above all, need a comprehensive personal improvement program.

MORRIS I. PICKUS in *Personnel Journal* 12/51

### **Industry's Worst Four-Letter Word**

THERE IS a four-letter word, too often used in business and industry, that should be shunned, if not outlawed. It is a name applied to those who have supervision over the work of others.

It has a simple meaning that under certain circumstances could be regarded as

implying respect or even affection, but it also has other connotations that are decidedly objectionable, connotations that definitely weaken its usefulness.

Besides, it is a word that has found its way into political jargon and, like so many other things touched by politics, has become contaminated. In this connection, its implications are actually vicious, overshadowing whatever worthy meaning might be ascribed to it. Yet politicians like to be tagged with it because it suggests their power.

Therein lies its danger when used in business and industry. It is apt to make those using it appear subservient and servile and to make those to whom it is applied egotistical and domineering—feared but not respected.

It is a wise supervisor who discourages his co-workers from calling him "boss." And any business or industrial organization will be better off without "bosses." This may sound paradoxical, but modern supervision requires leadership. "Bossism" has passed its usefulness, if it ever had any.

—*The Pick-Up* 3/52

### **Some Unusual Yardsticks for Measuring Business Trends**

REPORTS on economic indices and gross national product look profound, but current business trends can be gauged by earthier means.

Hijacking stands out among today's little-known but accurate economic barometers, according to Business Reports, Inc.\* Seizures not only keep pace with business conditions; they also reflect the supply outlook. Today truck thefts have hit \$65 million a year, as against \$30 million in 1947, and \$45 million in 1949. Copper and brass heists are 900 per cent over 1945 levels. Some of the increase is due to more trucks, most to the boom climate.

Beer sales are another accurate business indicator. They show which areas enjoy the defense boom or suffer civilian cutbacks. For instance, sales are now strong in Cincinnati, Texas, and the Northwest; they are down 6 per cent in New England and still more in Detroit.

Sporting-goods sales also measure the nation's prosperity. Golf is now eating up \$40 million a year, as against \$15 million before the war. Fishing-equipment sales are 30 to 60 per cent over last year.

Entertainment figures are especially revealing as to merchandising trends. TV's impact on sales techniques is shown by the fact that 25 per cent of Chicago's movie theaters closed last year. On the other hand, recent slashes in auto promotion outlay for TV reflect the consumer-durable supply picture.

Even two-pants suits can be a measuring rod. Their reappearance on store shelves accentuates the "soft" in today's soft-goods market!

\* 225 W. 34 Street, New York 1, N. Y.

### **AMA "BRIEFING SESSION" ON EXECUTIVE INVENTORY AND DEVELOPMENT**

*To help companies meet present-day needs for executive talent, the American Management Association will hold a special "briefing session" on the principles and techniques of executive inventory and development on May 27-28, at The Hotel Astor, New York.*

## THE HUMAN SIDE OF BUSINESS FAILURE

TOO OFTEN, business failures, which for the past 50 years have been reported at an average rate of 270 a week, are surveyed and studied primarily in the light of their statistical significance. Attention is focused on the dollars-and-cents side of the story, which shows greater liabilities than dollar assets, possibly an unsound inventory situation, or maybe excessive operating expenses. Though this type of interpretation is interesting and important, concentration on these factors alone is to deal with effects rather than causes.

During 1950, Dun & Bradstreet's continuous study of the causes of business failures in the United States, based on opinions of informed creditors and on information in Dun & Bradstreet credit reports, showed that in 96.4 per cent of the cases, the underlying reason for failure was directly related to identifiable weaknesses of the individual who owned the business. Business failures, for the most part, were human failures, involving personality, judgment, decision, ability, and "know-how."

The survey revealed further that the major human weakness accounting for the greatest number of business failures is incompetence. In the year ended June 30, 1951, this single factor was responsible for 43.2 per cent of the total number of failures reported throughout the country. Lack of experience in the line accounted for 14.9 per cent of the failures; lack of managerial experience, 15.3 per cent; and unbalanced experience, 13.5 per cent. Most of the apparent failure causes are directly related to the inability of the proprietor to evaluate and visualize his problems correctly. According to the survey, these problems in the order of their importance are: inadequate sales, competitive weakness, inventory difficul-

ties, excessive fixed assets, heavy operating expenses, receivables difficulties, and poor location.

One of the important aspects of business failures has remained fairly constant through the years: failures usually don't take much time to announce themselves. And the quality of survival increases with age. During the 12 months ended last June 30, two out of every three concerns that failed had been in business for a period of five years or less. The first few years of operating a business are usually more hazardous because that is the testing period of the ability, stamina, and management instinct of the owner; it is in this period that the business is most vulnerable. Of the 9,162 commercial failures that occurred in 1950, 4.2 per cent of the businesses were started in 1950; 18.2 per cent, in 1949; 17.5 per cent, in 1948; 14.4 per cent, in 1947; and 13.9 per cent, in 1946. Only one-fifth of 1 per cent of all 1950 failures had started in business before 1900.

The current failure picture of 32.1 for every 10,000 concerns in business can be approached from two vantage points. The first, which shows that there were 9,162 failures in 1950 compared with 809 in 1945 or 1,129 in 1946, tends to cause undue alarm in some quarters. The second encompasses a wider area—in 1949 and 1950 there were only 34 failures for every 10,000 concerns in business, compared with 70 in 1939, 100 in 1925, and 92 in 1900. And, during the past 50 years, the average number of businesses that failed each year was only 78 for every 10,000 concerns in business. Considering the fact that in our free enterprise system it is comparatively easy to go into business, an interesting aspect of the American economy is the small number of failures that have taken place.

Though failure trends are one of the important vital statistics of American business to be analyzed with other reliable indicators—sales trends, inventories, employment, prices, etc.—the study of failure statistics requires a recognition of the humanness of the subject. As Roy A. Foulke states: "A constant change is in process, a change which is quietly taking

—WARREN Z. VIEROW. *Bankers Monthly*, November, 1951, p. 30:4.

place in the method of operation of all concerns whose managements have a firm grasp on reality. A business enterprise is the reflection of a guiding hand, just as much as a painting is of the artist, a book is of the author, and a building is of the architect. Furthermore, the business enterprise may be fully as much a work of art."

## THE CHANGING FACE OF THE NATION

THE RUSH OF events these last few years has tended to divert attention from several fundamental changes taking place at the core of our economy and society, changes which are basic to all business thinking. The following are some pivotal developments that have altered the warp-and-woof of life in the United States. (One significant fact, by itself, is that these cannot be listed in order of importance, because their impact is combined and total.)

During the past two decades, the bedrock attitudes of Americans were being formed in a new atmosphere—a new framework of personal, living experience. Only one out of three people in '50 remembered World War I, and of the more than 150 million population, 52 per cent didn't remember a Republican administration; their lives were spent almost entirely in a New Deal or wartime environment. In '50, 48 per cent of all Americans didn't remember conditions before World War II, and these percentages are bigger today.

The New Deal philosophy was dominated by the idea that this nation had reached a "Maturity Economy." In '30, most statisticians expected population growth to slow and become static by '60 or '70. However, there were almost four million births in '51 alone. Between '30

and '40, the population increased by 7.2 per cent, and between '40 and '50, the U. S. grew by another 14.5 per cent. In the past 50 years, the population has just about doubled, reaching a total of over 155 million, according to the latest figures. Marriages, new homes and babies, a bigger group of oldsters (36 per cent more than 10 years ago) spell new, continuing demand.

The number of women workers almost doubled between '30 and '50. In '50 there were almost 19 million women on jobs—nearly 30 per cent of the total. As for the entire labor force, the "60-million-job-Utopia" was beaten by three million in '50, and today predictions of 90 million by 1975 no longer appear fantastic. The market potential of such figures challenges the imagination.

Changes in distribution of income are equally significant. Here is the percentage of consumers in the various income groups:

Income group	1935-'36	1946	1949	1950
Over \$5,000	2.3%	10%	16%	20%
\$3-\$5,000	4.	25	30	31
\$2-\$3,000	9.7	25	21	19
\$1-\$2,000	31.	23	19	17
Under \$1,000	53.	17	14	13

The lowest income groups have shown a rapid shift upward, while the "big wealth" group has suffered attrition. The

trend is to a greater equalization of income than has ever been seen in any civilized nation in history, confounding the Marxists.

As income rose, home ownership swelled. Today, over 50 per cent of America's homes are occupied by their owners. And demand for homes will rise, not only because of growing population and income, but because about 46 per cent of today's homes are over 30 years old.

Three waves of industrial growth (war,

—Executive Policy Letter (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.). December 28, 1951, p. 1:2.

postwar, and current) have given the nation a reservoir of capacity to meet expanded needs. As a result, both the demand and supply sides of the economy have new horizons.

Changes in the marketing map have followed this expansion. In terms of population growth, the Pacific Coast is the leader, followed by the Southwest. But perhaps most important is the change in the South, where industrialization is altering old patterns.

### **Executive Development Handbook Nearing Completion**

PRACTICAL TECHNIQUES for discovering and developing management talent, exemplified by cases of companies that have pioneered in this area, will be detailed by company spokesmen in AMA's forthcoming handbook, *The Development of Executive Talent* (tentative title). Scheduled for publication in June, the manual will comprise both over-all case studies and descriptions of specialized approaches.

The text will include the Association's most representative studies on the subject, supplemented by newly prepared material. While the contents have been largely selected and are now being prepared for publication, the editors will be glad to consider for inclusion any new case material received before May 19.

A more detailed description of the handbook will be carried in our next issue.

### **Ivory Tower Management**

MANAGEMENT is finally getting around to an idea propounded some 2,500 years ago by Plato, the noblest Greek of them all. It was his sensible notion that if you are going to develop great leaders in government or in business, you must give them the time and the place to do their thinking and planning, away from the hustle and bustle of the workaday world.

In fact, the test of a good executive is how well he can divorce himself from the humdrum details of everyday operations and take plenty of time out to plan his company's future. More and more enlightened business men are beginning to see that such cerebration cannot be done in an environment of the belt-line assembly.

Perhaps the most avid and successful practitioner of the ivory tower is Remington Rand. About 11 years ago, the company purchased a multi-acred private estate and turned this country hideout into the administrative headquarters for the whole company. Here the organization's top executives have their offices the year 'round, running things and planning the future in the shadows of giant oak trees.

The interiors of the Rand headquarters are completely unlike the traditional offices of giant corporations—no bright-eyed, efficient receptionist to greet you; no waiting rooms clogged with salesmen and visitors; no obsequious guards. The

lower floor of the Rand administrative domicile resembles an art gallery, with its paintings, its period furniture, its brocaded drapery. There are some concessions to modernity. There are telephones in the offices, but their bells tinkle—almost musically. There are typewriters, but their clatter is muted by acoustical contraptions.

At noon, the workday is interrupted by a polite houseboy who announces that "luncheon is served." No quick "business man's lunch," no "sandwich at the desk" for these pampered executives and their staff. Their meals are high in protein, low in calories, and they come away with none of that logy, sleepy, overfed feeling to fight off.

Does such tranquillity pay off? If you believe that top management may have something to do with the earnings, the expansion, and the progress which RR has made in the last 10 years, then the ivory tower speaks for itself.

—LAWRENCE STESSIN in *Forbes* 12/15/51

### How to Tell Who's Small Business

FOR YEARS business men have looked for an easy way to tell how "big" their companies are. And since Korea they've been wondering just who qualifies for help from the Small Defense Plants Administration.

The Department of Commerce, after two years of study, has come up with a definition of small business. Here's what it says:

If you have 100 employees or less in your plants, you're small business. If you employ more than 2,500, you're operating a big business. What happens if you have from 101 to 2,499 employees?

You will find the answer in *Size Classification of Manufacturers* (available from your local Department of Commerce office, 10 cents). Eleven broad manufacturing industries are listed. Under one you will find the category that fits your business. Opposite that is the maximum number of employees you may have and still qualify as a small business. Minimum figures vary for each category of industry. For instance, if you make conveyors with 500 employees, you're big enough; but if you make steam engines and turbines with 2,500 workers, you're small business. The reason, according to Charles Sawyer, Secretary of Commerce: "Small size is a relative term. What is large in one industry may be small in another." Consideration was therefore given to the size factor, and the degree of concentration of output in each industry.

—*Factory Management and Maintenance* 1/52

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MORE THAN 17,000 state, regional, and national conventions are held annually in North America—with June and September the most popular months. The average delegate stays four days and spends about \$100, according to one recent survey of 14 conventions.

—*Nation's Business* 9/51

### AMA GENERAL MANAGEMENT CONFERENCE

*The General Management Conference of the American Management Association will be held on Thursday and Friday, June 19-20, at The Waldorf-Astoria, New York.*

## Also Recommended • • •

**CORPORATE ROUTE TO SOCIALISM.** By Merryle Stanley Rukeyser. *Nation's Business* (1615 H Street, N.W., Washington 6, D.C.), December, 1951. The author shows how rising taxation is changing the national economy into a system which he terms "Riskless Socialism." Though the tax collector gets the lion's share of business profits, the government's position is riskless in the sense that it contributes no capital or tools and is subject to no assessment in the event of losses. Citing figures on U. S. Steel's experience, the author shows that under the tax rates in effect in the first half of the year, despite an increase of 24.3 per cent in sales, the total profit after taxes declined 25 per cent, while the tax "take" of the Federal Government increased 134 per cent.

**WATCH YOUR AIM.** By Robert Ramspeck. *Vital Speeches* (33 West 42 Street, New York 36, N.Y.), December 15, 1951. In an address before a group of trade association executives, the author makes a plea for mutual trust among the members of the government-management team. He believes that the efficiency, improved service, and greater economy we all desire will be forthcoming from civil servants if we reject the dangerous practice of tearing down and return to constructive concepts.

**EXECUTIVE TRAINING IN DEPARTMENT STORES.** By Donald K. Bedclay. *The Journal of Marketing*, (1525 East 53 Street, Chicago 15, Ill.), January, 1952. This article describes the essential features of the two types of executive training programs conducted by department stores: (1) on-the-job training and (2) the training-squad method. The importance to top management of junior-executive training is evidenced by the fact that 87 per cent of these programs are conducted in central conference rooms on store time, while only 13 per cent are presented during informal meetings on employee time.

**MAKE IT INFORMATIVE.** By Paul R. Beall. *Advanced Management* (Society for Advancement of Management, 84 Williams Street, New York 38, N.Y.), Vol. XVI, No. 10. The author, who feels that company briefing sessions are an important means of furthering effective communication, outlines a plan for turning company personnel into competent speakers. He emphasizes that a briefing must be carefully planned, timed, and coached and that the latter function should be performed by someone who is a competent writer and has a commercial or industrial background.

**REARMAMENT: TOO MUCH, TOO SOON.** By Sumner G. Slichter. *The Atlantic Monthly* (8 Arlington Street, Boston 16, Mass.), December, 1951. Professor Slichter believes that, since the Korean fighting, rearmament programs have been so large that they threaten to bring disastrous inflation, raise the prices of Europe's imports, and leave less of the product of European industry for civilian consumption, with the result that the standard of living of Western Europe will be drastically lowered. He suggests that we recapture the vision and common sense of the Marshall Plan and make major changes in the huge outlays recently authorized by Congress.

**BRINGING UP TOMORROW'S BRASS HATS.** *Business Week* (330 West 42 Street, New York 36, N.Y.) November 3, 1951. This report on a conference which considered the methods for setting up an executive development system shows that there is much disagreement on what needs to be done and how to do it in the selection and training of top management personnel. Specific programs are summarized, and an inventory of possible methods for handling the problem may contain some valuable ideas for companies of all sizes.

**AMERICAN PRODUCTIVITY AND FULL EMPLOYMENT.** By Paul Stanchfield. *Monthly Labor Review* (U. S. Government Printing Office, Washington 25, D.C.), February, 1952. A 16-man team of French experts, in a report made under ECA auspices, concludes that economic, institutional, and psychological, as well as technological, factors, account for America's constant productivity gains. Among the most important factors underlying our high productivity, according to this study, are a basic belief in progress and expansion, the lack of class-consciousness and class distinctions, and a general willingness to experiment with new ideas and to accept risks.

**"OPEN HOUSE" FOR IDEAS.** Sir Thomas Hutton. *The Rotarian* (35 E. Wacker Drive, Chicago 1, Ill.), March, 1952. Under the auspices of the Anglo-American Council on Productivity, selected groups of British executives have been exchanging visits with representatives of American industry in order to share industrial "know-how". As an example of what has been accomplished, the author cites the case of a British shop which is producing 25 per cent more goods without increasing space or purchasing a single device, as a result of suggestions brought back by a team of British workers.

## Personnel Management

### GETTING WORKERS IN A TIGHT LABOR MARKET

**O**UR COMPANY is in a tight labor market—so tight that recruiting new employees is more difficult than it was in World War II. We therefore had to expand our recruiting program greatly. In the past 10 months we have interviewed 8,232 applicants, hired 1,055, and kept 814 (about 80 per cent) of them. That's a good deal of interviewing and hiring. And, since we kept close track of results and costs, we've learned how our different recruiting methods compare.

*Newspaper Advertising.* We use classified advertising, making the ads as large as good taste permits and changing our copy often. A typical ad will list as many as 20 types of jobs. Normally we advertise within a radius of 75 miles of the plant. We go farther afield only for special reasons—if, for example, a plant in a nearby city curtails production, thereby throwing employees on the labor market.

Though newspapers net the largest number of applicants, we have to do a lot of interviewing (16 persons) to hire one applicant. That adds a "hidden" cost to recruiting, since it loads up our employment office and requires us to hire more interviewers.

*Radio Programs.* Besides attracting job applicants, we wanted our program to render a useful public service. And we wanted our employees to take part in and benefit from the project.

We finally picked a 15-minute news broadcast. The commercial includes tape-recorded employee interviews, made in the plant. Our employees, we have found, are proud of the program, and want very much to be a part of it.

Radio, however, is the most costly recruiting medium. It's also a low-volume producer. Why do we use it? Part of the answer is this:

Radio makes an important contribution to our employee relations picture—and does a fine public relations job, too. Further, we know that radio, like television, combines with other recruiting media to produce an over-all impact that one method alone doesn't produce. We think it is well worth what it costs.

*Post Card Campaign.* This campaign was directed to people within a four-mile radius of the plant. We described the available jobs and asked applicants to drop in—on Saturdays and Sundays if they wished. A total of about 18,000 cards was mailed for us by a local mailing service, which also took care of the printing.

Though the results of the post card campaign are not impressive—the costs are low, but the volume of applicants is, too—we still think the campaign paid off in improved community relations.

*Employee Recruiting Plan.* This approach is based on the reward principle. We invite present employees to bring in (or send) job applicants to the employment office. For each applicant hired and kept for 30 days, we pay the employee responsible \$5. If the new employee stays for six months, the "sponsor" gets a \$25 Defense Bond. And if a sponsor brings in five people who stay six months, he gets a further reward of a \$100 bond.

The record shows that this program is by far the most effective on an all-around basis. For example, from May through September, we hired 210 people who

said they came in because of newspaper advertising. In the same period, we hired 164 people referred by employees—this despite the fact that the volume of employee referrals wasn't high (only 296 total). Our employees' skill in picking good applicants for referral is further evidenced by the fact that new workers hired from this source have had the lowest turnover of all the groups.

Here are some general suggestions that might be of help to other firms in carrying out recruiting programs:

1. *Shoot for the week ends.* We select our advertising times so they will pay off, which means heavy week-end coverage. But we find you have to be available promptly to the people who want to apply in response to such advertising. We have therefore opened our employment office on Saturday and Sunday mornings.

—PAUL E. BLACK (Director of Industrial Relations, Cleveland Pneumatic Tool Co., Cleveland).  
*Factory Management and Maintenance*, Vol. 109, No. 12, p. 94:3.

## ECONOMIC EDUCATION: A SURVEY OF COMPANY PROGRAMS

CURRENT INTEREST in economic education is perhaps best pointed up by the great number of education programs recently launched by individual companies. To ascertain the extent and nature of such programs, The Brookings Institution surveyed 280 companies representing different types of business enterprise.

The activities of these firms range from exhibiting and distributing magazines, bulletins, and special pamphlets to formal courses in economics and even full-fledged educational "institutes." These programs as a whole—though not in all cases—are designed to reach foremen, rank-and-file employees, teachers, ministers, school children, and the general public; 166 of the 280 reported that the programs were intended to reach employees.

2. *Get professional help.* Radio, TV, and area-wide mailings were all new to us. We therefore sought professional help. Our advertising agency already had or could get quickly a good many helpful answers to our questions.

3. *Make your efforts personal.* There seems to be no substitute for personal effort in recruiting. That's why, we think, the employee recruiting plan is so successful.

4. *Keep an eye on the young people.* In this period, some young people are quitting school to take high-paying factory jobs. Others sit and wait to be drafted. To get a supply of well-trained youngsters, we feel we'd like to keep them at their studies. We are therefore working with vocational school authorities on a cooperative program.

Numerous methods and devices were employed. Fifty-four companies reported that they hold scheduled meetings for the purpose of teaching basic economics, while 135 hold a series of meetings in which some economics is taught. One hundred and forty-nine companies made use of house organs; 137, discussions; 114, movies; 105, charts and graphs; 95, lectures; 94, special letters; 90, pamphlets; 75, periodicals; 59, company and industry exhibits; 58, miscellaneous printed material; and 28, plant tours.

Twenty-eight firms reported that they were endeavoring by various means to measure the results of their programs.

A special questionnaire asked about the educational background of the persons in charge of these economic education pro-

grams. An analysis of the 144 replies showed the following academic status: no degree, 32; bachelor degree, 71; master's degree, 31; doctor's degree, 8; law degree, 1; honorary degree, 1. A question was also asked about teaching experience. Thirty-nine of the 88 who responded claimed such experience, and 25 claimed experience in writing. The length of time the director of the program had spent in business and industry varied from two to 25 years.

Only a few companies stated the amount of money they were spending for economic education—either because it was a private matter or because expenditures for this purpose were not carefully segregated in the budget. Numerous firms indicated that they were spending from \$100,000 to \$500,000 including, presumably, public relations advertising campaigns.

Individual companies naturally follow many different methods in their experimentation. Some employ commercial agencies and outside institutions in de-

—C. W. MCKEE AND H. G. MOULTON. *A Survey of Economic Education* (The Brookings Institution, Washington 6, D.C., 1951), p. 46:3.

### Employment Outlook 1952-53

BY THE END OF 1953, there will be 68,400,000 people working in the United States in civilian jobs or in military service, according to estimates of manpower requirements based on current defense plans and expected production for civilian use. Nearly one-fifth of the total will be in defense work, either as members of the armed forces or as civilian workers.

This means an increase of 3,600,000 over the number employed or in the armed forces at the end of 1951. Of these 2,700,000 will be directly or indirectly engaged in defense production, while 600,000 will augment our non-defense workforce and 300,000 will join those in our military services.

Nearly 5½ million persons were added to our defense forces, both military and civilian, since the start of the Korean war and an additional 3 million will be needed during the next two years. This defense expansion was accompanied by a reduction in non-defense workers, a decline which is expected to continue through most of 1952. During 1953, however, non-defense employment should recover sharply and by the end of the year should be about a half million higher than in late 1951.

Though those unemployed at the end of 1953 are expected to be half a million less than the 1,700,000 reported at the end of 1951, there may be distressing, temporary unemployment in particular occupations, industries, and communities as

developing and conducting their programs. Others undertake the job wholly or largely on their own.

Some companies frankly extol the merits of the free enterprise system and the American way of life, as a counter to communistic and socialistic propaganda. Others follow an indirect method and concentrate on the basic principles of economics, hoping to achieve the same end.

There are some who feel that it is not a company's responsibility to mold the economic and political beliefs of its workers—that the company's job is rather that of explaining the operation of its own business by means of a proper type of internal communication. They feel that better industrial relations can come only from interchange of information and viewpoint between the policy-determining group and the workers and that this type of in-company education not only strengthens the company, but also brings better understanding of the significance of the private enterprise system itself.

shifts from non-defense to defense work continue to be made. At the same time, other occupations, industries, and communities will be handicapped by a lack of available employees. Increased use of older workers and housewives without young children will make possible the meeting of anticipated needs.

—*Occupational Outlook Summary* (U.S. Dept. of Labor) 2/15/52

### **"Sequential Seniority"**

A UNIQUE seniority agreement between Weirton Steel Co. and the Independent Steelworkers Union, based on "sequential seniority," guarantees an employee's right to move up the ladder to top-paying jobs through a specified sequence of promotions.

Under this development plan, the steps of which are charted in the union agreement, employees are provided with training for the next higher post—the job they will attain when there's a vacancy. Seniority provisions of the agreement protect the employee's promotional progress, and his company-wide and departmental seniority gives him protection if there is a reduction of forces.

The new plan divides the company's plants into 11 departments, each department having a number of sequential lines of progress up which the employee may travel and a labor pool to which new employees are assigned. The pools serve as the bottom step of the sequential ladder. Sequence will normally follow the pay line, with high-paying positions listed higher on the sequential charts, which, according to the agreement, will be posted in every department throughout all the company's plants. Employees have the right to shift from one seniority unit to another, but any employee making such a shift must enter the new sequential division at the bottom level.

—*Steel* Vol. 129, No. 13

### **A Laboratory for Training In Group Dynamics**

THE NATIONAL TRAINING LABORATORY in Group Development will hold an expanded four-week laboratory session this summer in the relatively new field of training leaders in the skills and understandings necessary for developing effective groups. The program is scheduled for June 22 through July 18 at Gould Academy, Bethel, Maine. Approximately 100 applicants will be accepted for this session from persons involved in problems of working with groups in a training, consultant, or leadership capacity in any field.

The purpose of the training program is to sensitize leaders in all fields to the existence and nature of the dynamic forces operating in the small group. The program is organized so that each trainee group of 15 to 20 persons will be able to use its own experience as a laboratory example of group development. Group skills of analysis and leadership will be practiced through the use of role-playing and observer techniques. Concentrated clinics will give training in the skills of the consultant and the trainer in human-relations skills. There will also be an opportunity to explore the role of the group in the larger social environment in which it exists.

The NTLGD is sponsored by the Division of Adult Education Service of the NEA and the Research Center for Group Dynamics of the University of Michigan, with the cooperation of faculty members from the Universities of Chicago, Illinois, California, Ohio State, Antioch College, Teachers College, Columbia University, and other educational institutions. Its year-round research and consultation program is supported by a grant from the Carnegie Corporation of New York. For further information, write to the NTLGD at 1201 Sixteenth Street, N. W., Washington 6, D. C.

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SOME PEOPLE are so leisurely about their business and so busy about their leisure that the transition to retirement will be scarcely noticeable.

—*Your Later Years* Vol. 1, No. 1

## **SUPERVISORY DEVELOPMENT: 15 TESTED PRINCIPLES**

**W**HAT HAVE WE learned about supervisory development in 10 years' experience? This question, put to the steering committee in an Owens-Illinois plant that has long had an outstanding program for supervisors, produced the following comments:

1. Learning is a gradual, cumulative process. We know of no criteria that will accurately measure the degree of absorption or growth of the individuals in the group, no tests, examinations, or rating scales which will determine with accuracy the success of the program; however, we believe that progress can be satisfactorily measured by observation.
2. Encourage supplementary reading by keeping an up-to-date library of the best available literature. Publicize this library regularly but expect only a small percentage to use it.
3. Plan the work well in advance, keeping in mind the difficulty and the cost of getting this most important group of plant people together. Be sure that the content is interesting and important enough to justify the meetings.
4. Limit lecturing to the group to a maximum of one-quarter of the total time expended. Limit film viewing to a similar period. Use the remaining one-half of the time available in participation by the group.
5. Choose your speakers with care. There are good men with good messages in your own supervisory group, in the schools, in the professions, in other businesses, and among the clergy.
6. Select your films carefully. There are good ones each year. Preview them all and use only the best.
7. Get high-caliber technical guidance regularly. Experts review our program and suggest revisions about six times each year.
8. Have a continuing planning group. In our situation it is made up of Personnel Director, Training Director, Budget Supervisor, Industrial Engineer Supervisor, Plant Manager, and two department heads who are rotated annually.
9. Have a flexible schedule. Two to four meetings a month seem about right to us. After-dinner meetings are psychologically wrong. Interrupt the program during the three summer months.
10. We don't recommend the canned programs. Most of them are well done, but our advisers tell us constantly to relate the suggested matter to—and illustrate it by—actual plant experience. Don't narrow the content too closely.
11. Supervisory development meetings can also be effectively used as staff meetings to keep the group informed of changing policies, organizations, etc.
12. At least once each year, survey the group by questionnaires, interviews, or whatever to determine their wishes concerning future work as to content and method. Be very sure that you use the information learned.
13. Provide comfortable and suitable facilities. Check for ventilation, light, sound, color, etc.
14. About every third month provide a general session which is either inspirational or entertaining or both.
15. There is a place for nearly all the methods of communications commonly used in educational work: lectures, films, panel discussions, role-playing, and reading.

—*Personnel Newsnotes* (Owens-Illinois Glass Co.), December, 1951, p. 3:2.

## PROTECTING PERSONNEL IN WARTIME—LESSONS FROM EUROPE

**A**PATHY IS THE CHIEF enemy of early planning for protection of personnel in wartime. "To overcome it, companies must take active leadership, rather than wait for directions from official quarters," European industrialists told a Conference Board research team sent abroad to study at first hand how British and Continental companies minimized the effects of air attack on their employees and installations. The team's report\* has just been completed.

Company employee welfare programs in Europe centered around the following activities: providing ample air-raid warning and safe shelter; providing information on local conditions and sources of aid after a raid; billeting and feeding of bombed-out personnel; helping to repair damaged homes; giving financial assistance; providing medical aid, laundry facilities, drinking water, and other services to families of workers; providing transportation to and from work when public transportation failed.

Planning for air-raid protection, Europeans warn, must be begun in peacetime and be well on the way to completion before bombs fall. This planning should be integrated with a company's peacetime program of safety, employee relations, and disaster control. Companies, they say, should strive for as much self-sufficiency as possible but should make arrangements for mutual aid with adjoining companies and municipal groups.

European industrialists recommend extensive training and test exercises to remove faults from civil defense organiza-

tions and methods. Also, their experience in World War II proved the value of shelter protection even if shelters were not complete protection from a direct hit. They advise giving special study to the strengthening of existing buildings to provide shelter areas; the number of people that have to be sheltered, including visitors and passing pedestrians; the kinds of structures in the plant area and their physical arrangement; and local factors, such as special fire hazards and the sub-soil water level. The Europeans point out, however, that sitting in shelters during air-raid alerts can hurt war production as much as enemy bombs. In Britain, for example, the use of company spotting and warning systems and the location of shelters near the place of work "greatly reduced" lost time.

Most European companies had peacetime medical services for their employees. In the main, they had only to increase staff and facilities to take care of the enlarged wartime load. Many built underground or bunker hospitals and first-aid stations. First-aid posts and supplies were dispersed, so that if one station was hit or blocked by rubble or fire, others would be available.

Many specific recommendations were made for the setting up of civil defense organizations in this country by the individual plant, by the community, and by plant and community together. "Protect your people first," however, is the primary recommendation of European industrialists and civil defense authorities. Good management-employee relations, it was reported, are the backbone of an effective plant ARP (air raid precautions) organization.

\* *Protecting Personnel in Wartime* (National Industrial Conference Board, New York 17, N. Y.), \$4.00.

THE JOURNEY of a thousand miles begins with one step.—LAO-TSZE

## **Needed—70,000 Engineers**

THE DANGEROUS GAP between the supply of engineers and the need for their services is becoming wider, according to the U. S. Office of Education and the American Society for Engineering Education.

Only 28,000 engineering students will be graduated in 1952 to meet the current demand for 60,000 to 90,000 engineers. There were 38,000 engineering graduates in 1951; consequently, engineers this year will be 10,000 fewer, a reduction of more than 25 per cent. Since many 1952 graduates are either members of ROTC units or are subject to the draft, defense industry is likely to find itself with a deficit of 40,000 to 70,000 engineers.

The graduation of the last large group of veteran students has dropped the total engineering enrollment 8.4 per cent below that of last year, although a checking of the decline is indicated by an increase of 16.2 per cent in the number of freshmen engineering students. Industry will not, however, benefit by this increase until four years hence, when it will have heavy competition from the armed services.

Graduate enrollment in engineering is now three times what it was in 1940, when graduate students comprised only 4.6 per cent of all engineering students. This fall, 13.1 per cent of all engineering students are taking graduate work: almost 28 per cent of them in electrical engineering, about 17 per cent in mechanical engineering, and approximately 13 per cent in chemical engineering.

The distribution of bachelor's degrees granted in 1951 among the four principal engineering curricula was: mechanical engineering, 9,609; electrical, 8,616; civil, 6,473; and chemical, 3,614. In mechanical engineering, 26.4 per cent fewer graduated than in 1950; in electrical engineering, about 30 per cent fewer; in civil engineering, 11.5 per cent fewer; and in mechanical engineering, 18.3 per cent fewer.

## **Work Stoppage Provisions in Union Agreements**

UNIONS generally oppose strike restrictions imposed by legislative or judicial action, but they have frequently been willing to accept certain limitations on strikes through collective bargaining. Nearly 90 per cent of approximately 2,600 collective-bargaining agreements analyzed in 1951 by the Bureau of Labor Statistics provided for such limitations.

More specifically, work stoppages were prohibited or restricted by 88 per cent of 2,578 agreements analyzed. In most cases, parallel restrictions were imposed on lockouts. An absolute ban on strikes and lockouts during the term of the contract was provided by 32 per cent of the agreements studied. In 56 per cent, work stoppages were restricted but not absolutely prohibited, i.e., the agreements contained exceptions and/or outlined certain specific conditions under which strikes and lockouts are permissible. For instance, nearly two-fifths of the total agreements studied permitted work stoppages after the full grievance settlement procedure had been exhausted.

—*Monthly Labor Review* 3/52

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A SURVEY made recently by the Bureau of Labor Statistics shows that absenteeism of workers 65 to 69 years of age is only 3.3 days per 100, whereas the rate for workers between the ages of 25 and 29 years of age is 4.3 days. As to non-disabling injuries, those suffered by the 25 to 29 age group were more than twice those suffered by men over 65.

—*The Industrial Nurses' Digest* 1951

## HOW I SHOULD INTRODUCE PROFIT SHARING TO A BOARD OF DIRECTORS

WE HAVE IN this country a growing conflict between labor and management—which, if it continues, will destroy the business system we now have. A profit-sharing plan can create a warm climate of mutual trust in which the teamwork we all desire can flourish. Profits can gradually be eliminated as a basic point of contention, and both groups can lend themselves to the much more important job of working together.

Assuming I were president of a company, I should ask myself: Is the sharing of profits with employees basically fair? Is it a desirable step to take in today's industrial society? Is it a risk which the company should take with stockholders' funds?

If the answer is "yes," the next step would be research. I should investigate a wide variety of plans. I should also look into the possibility of introducing a profit-sharing plan under current wage and salary regulations.

In introducing the subject to my board, I should review the experiences of a few companies. I should reassure the members that I honestly did not know whether the idea would be practical for our company. With their permission, I'd like to get more facts and report back to them.

Even then, I should not have an entire plan worked out. None of us like to be presented with a proposal complete down to the last detail—and, incidentally, that goes for employees. They should participate, to some extent at least, in the plan's formulation.

Let's assume for the moment that it is

—From an address by W. H. WHEELER, JR. (President, Pitney-Bowes, Inc., Stamford, Conn.)  
before the Fourth Annual Conference, at Detroit, Mich., of the Council  
of Profit-Sharing Industries.

a cash plan—that is, it would pay employees cash amounts out of profits.

I should begin with its practical aspects—what it would cost and what we might expect in return. Actually, it should not be difficult to sell a profit-sharing plan to even a conservative board. A plan which would add about 5 per cent to compensation would not take anything out of profits but would add to them.

It is difficult, of course, to measure the results of a plan exactly, but the burden of proof indicates overwhelmingly that profit-sharing plans more than carry their weight. The possibilities of increased efficiency in small plants are tremendous, as the record clearly shows. In larger plants, it may be a problem to get the same interest and teamwork, but the plans do carry themselves.

All business men are concerned today with the fact that employees do not understand our economic system. I should insist that, unless our employees were given some real stake in the business, it would be unrealistic to expect their best interest in our efficiency, productivity, and profits.

I should conclude with the most significant point of all—that we have only scratched the surface of productive human energy. Profit sharing is certainly no sure-fire means of releasing this amazing energy, but it is a basic step.

This would lead to my final point. Profit sharing is a risk. But, if we have the necessary faith in our employees and ourselves to take this risk, there is every evidence we all shall benefit in the long run.

## Also Recommended • • •

**ARE YOUR PAYROLLS "TAINTED?"** By Lawrence Stessin and William J. Baade, Jr. *Mill and Factory* (205 East 42 Street, New York 17, N. Y.), January, 1952. The WSB uses the term "tainted" to describe payroll records which do not conform to the rules and regulations set up to limit wage increases. According to the authors, most companies fall short in one respect or another. This article contains two detailed and well-organized charts which indicate the records that must be kept and the reports that must be made when pay increases are granted to hourly paid workers or salaried personnel.

**OCCUPATIONAL WAGES IN EARLY 1951, FIVE MAJOR CITIES.** By A. N. Jarrell. *Monthly Labor Review* (U. S. Government Printing Office, Washington 25, D. C.), February, 1952. A study of 77 jobs in San Francisco, Chicago, New York, Boston, and Atlanta shows that average occupational wage rates descend from city to city in the order named. The degree of unionization varies from San Francisco, where nearly all nonoffice jobs are covered by union agreements, to Atlanta, where the rate is about 50 per cent.

**JOB EVALUATION PLANS AND A PICTURE OF PREVAILING PRACTICE IN INDUSTRY.** By R. C. Smyth. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), January, 1952. Wage and salary controls today make sound pay practices increasingly important. This article, based on a survey of the point job evaluation plans used by 72 companies, analyzes these plans in terms of the types of jobs covered, factors commonly used, number of "degrees" per factor, and the relative "weight" of these factors. The survey results suggest, the author points out, that there is no practical basis for the belief that a point plan will not work for high-level jobs.

**UNION POWERS AND WORKERS' RIGHTS.** By Clyde Summers. *Industrial Relations Publications* (School of Business Administration, University of Buffalo, Buffalo 14, N. Y.), Vol. 49. This article examines the essential character of the relationship between the union and the individual worker. It points out that, although the law has granted the union, which is the worker's economic government, extensive power over the individual, it has failed to recognize and protect his most important right within a democracy—the right to participate fully and freely in the government under which he lives.

**WAGE INCENTIVES AND INDIRECT WORKERS.** By M. Kangan. *Bulletin of Industrial Psychology and Personnel Practice* (Department of Labour and National Service, Commonwealth of Australia), December, 1951. As a result of his analysis of the complex problems presented by wage-incentive plans for indirect workers, the author concludes that wage incentives based on individual output are not suitable for most indirect workers. His study reveals that serious efforts to devise suitable plans by a number of managements, including some with highly skilled wage-incentive technicians, have not been successful.

**HOW COMPANIES FIGURE OVERTIME PAY FOR FOREMEN.** *Mill and Factory* (205 East 42 Street, New York 17, N. Y.), January, 1952. This article summarizes the findings of a survey of methods used by companies to pay foremen for extra hours worked. The charts on pay scales and the detailed job descriptions contain valuable information for any company that wishes to compare its policies in this respect with those of other firms.

**POSTGRADUATE TRAINING OF ENGINEERS IN INDUSTRY.** By John Gammell. *Mechanical Engineering* (29 West 39 Street, New York 18, N. Y.), November, 1951. Contrary to general opinion, most colleges teaching scientific engineering theory are not set up to teach the practical aspects of design, application, production, and sales. As a result, most manufacturers find it necessary and profitable to have training courses which vary in length from a few months to two years. The author describes in great detail one such program for postgraduate training of engineers.

**TESTING FOR A HIGH LEVEL POSITION.** By Samuel H. Galston and Solomon Hoberman. *Public Personnel Review* (Room 456, 1313 East 60 Street, Chicago 37, Ill.), January, 1952. In describing an examination that consisted of essay, oral, and experience tests, the authors point out that valid results were achieved from the use of this test which could not have been obtained by the objective examination generally accepted as the primary testing instrument on all levels. They believe that this type of test is much more successful than the "objective" test in selecting persons who possess a deep understanding of several broad fields, the ability to analyze and solve complex problems, and creative ability of a high order.

## Office Management

### IS YOUR OFFICE UP TO DATE?

THE following is the kind of quiz a methods analyst would put to office managers to determine the efficiency of existing operations:

*Can you justify every step in office routine?* An excellent way of doing this is to make a flow-process chart of all operations, transports, inspections, and storages. Ask what is being done, why it's being done, and how it's being done. Then determine whether steps can be eliminated, combined with others, or simplified.

*Are all possible operations given a specified time value?* Provide for all the inevitable interruptions. This helps establish a fair day's work, shows up poor utilization of personnel, and points out where changes in procedure should be made.

*Have you investigated the idea of standardizing work stations, equipment, and routines?* One insurance company uses identical equipment and routines in all of its 39 field offices. Specifications are carried in the company's equipment manual. This relieves office managers of the necessity of selecting equipment and interviewing salesmen, and usually results in a better discount on equipment.

*Are all standard, repetitive operations tested, timed, and studied to determine the most efficient procedure?* Going too far with production-line methods is liable to damage employee morale. Be careful of setting too high standards. Make sure that the use of time study is warranted—then blend it with an incentive or merit system so that it's accepted by the workers as more than a "speed-up" program.

*Are all jobs given detailed explanation and titles?* A recent study of New York City workers caused a cut of almost 50 per cent in the number of work classifications. The first step in increasing a worker's efficiency is to tell him what he's supposed to do. In most cases the more specific responsibilities an employee is given, the more conscientious he is about their fulfillment. Give him as much freedom as possible with his own tasks, and encourage him to suggest better ways of doing his job.

*Are employees receiving pay commensurate with that in other well-run offices?* This is a good way to check on inequity of pay raises or inefficiency of operation. An incentive system which provides a base salary plus a bonus for extra work, tied in with a work-measurement plan, is often used. A good incentive system should be easily understood, should be based on a standard of quality, and should result in a drop in operating costs.

*Do you have one man in charge of a record-keeping program?* All present records and forms should be inventoried and examined for duplication of content; value from an administrative, legal, research, and historical point of view; Federal requirements for retention; disposition of copies and end use of copies; and period of active reference. Separate files called "active," "semi-active," and "inactive" should be considered and each record given a specific retention period in each file so that the volume of files does not get out of hand.

*Are workers given periodic tests on ability to operate mechanical equipment?* A group of typists in one company in-

creased typing speed 33 per cent after a five-day Remington Rand training course. It's much easier today to increase individual productivity rather than add personnel.

*Are manuals of instruction prepared and kept up to date?* One way to maintain a continuous high level of efficiency is to list the proper procedures and instruct employees through manuals. This perpetuates the correct system regardless of turnover.

*Can manual operations or obsolete mechanical operations be mechanized economically?* Unfortunately, many companies have gone overboard with mechanical equipment; others, however, are working under primitive conditions. Employee morale must be considered before putting in a new machine, and employees should be carefully trained by a manufacturer's representative before the operation starts. Besides the economic advantages, mechanization can give simpler and more flexible control of an operation, reduce incidence of error, and raise the level of quality and appearance.

*Is there an organized pattern in which*

—Modern Industry, December 15, 1951, p. 55.

*paper work travels throughout the office?* Work usually flows best in a straight line. Related departments should be adjacent; common functions centralized (steno-graphic work, filing, cost accounting); desks should face in the same direction; and a generous amount of working space should be given to each employee (50 to 75 sq. ft.).

*Are services and physical facilities arranged to contribute to pattern of work flow and minimize disturbances?* Creation of too many private offices is bad from light, ventilation, and space viewpoints. Offices and desks should be labeled by department and name of person. Aisles should be wide to allow easy passage of people and equipment. Also, sales offices and others which have many visitors should be placed close to the entrance so that other departments won't be disturbed.

*Is the office a pleasant place to work in?* More and more proof is available that good lighting, ventilation, air conditioning, acoustical treatment, pleasant colors, and fatigue-saving equipment contribute to office efficiency.

### White-Collar Pay in Three Key Localities

THE TABLES BELOW present a picture of what white-collar office jobs are paying. The figures cited are average weekly salaries.

The New York City survey was made by the New York Port Authority; the Chicago survey by Johns-Mansville; and the Seattle survey by the Bureau of Labor Statistics of the U. S. Department of Labor. The surveys were made in the Fall of 1951.

CHICAGO		NEW YORK		SEATTLE	
Office Boy	\$39.00	Clerk, I	\$47.90	<i>Men:</i>	
File Clerk	47.00	Clerk, IV	91.80	Office Boys	\$42.00
Stenographer, A	59.00	Clerk-Typist, I	46.70	Bookkeepers, Hand	79.00
Clerk-Typist, A	55.00	Clerk-Steno, I	50.50	<i>Women:</i>	
Order-Typist	50.00	Clerk-Steno, III	72.30	Office Girls	41.50
Dictaphone Operator, A	53.00	Bookkeeping Mach.		Bookkeepers, Hand	60.00
Tel. Oper. Receptionist	52.00	Clerk, I	53.00	Accounting Clerks	51.50
Secretary	67.00	Comptometer		File Clerks, A	51.50
Order Clerk	64.00	Operator, I	55.00	Secretaries	62.50
Order Clerk, Sr.	76.00	Telephone Operator	53.40	Switchboard Operators	
		Accounting Clerk, I	55.10	Receptionists	48.00
		Accounting Clerk, II	66.40		

—Supervisor's News Service (Bureau of Business Practice) 3/3/52

## OFFICE LIGHTING—THE IMAGINATIVE APPROACH

ABE H. FEDER\*

HERE IS A limit to how much factual engineering can do to solve the office lighting problem. It may meet the physical needs in foot-candles and lumen measurements, but a modern business office requires lighting designed to take account also of other significant factors.

Efficient lighting will meet the problems of eye comfort and will improve the visual acuity, and therefore the output, of the worker. But what will it do for the office clerk, stenographer, or typist in terms of her own ego?

Here, indeed, is a problem which lies beyond the scope of the light meter. Yet it is of the greatest importance. Modern business deals not only with machines but with human beings, and the woman office worker is first a woman and then a worker. To her, the question "How do I look?" hits at the basis of her emotional well-being, and, consequently, affects her morale, her efficiency, and her output as a worker.

Visual efficiency by itself can add 10 per cent to office output. (The United Nations planning board proved this with a series of tests prior to building the New York City headquarters.) If this is so, how much more can be gained if the woman works in an office where she is emotionally at ease?

Do the office planners think of this when they run their lines of fluorescent fixtures like railroad tracks across the ceiling? Or, do they think about the appearance of the office itself under the cold, though efficient, troughs of fluorescent light? After the question "How does the woman worker look in the office?" might well come the query "How does the office look to the woman worker?"

Here again the answer lies beyond the scope of the light meter. In fact, it must be sought in the realm of the arts rather than that of the sciences. Though color, form, and design are more subtle qualities than foot-candles, lamberts, and lumens, they are no less real. The difference lies in the fact that they are achieved through the concepts of the designer rather than through the measurements of the engineer.

Perhaps business offices would come closer to attaining emotional as well as visual comfort for their workers if those who plan them would think of new lighting developments as new tools rather than as complete answers. This approach would put fluorescent lighting in its proper place and would prevent a repetition of the errors made in so many offices where uninspired and uninspiring rows of fluorescent lighting fixtures cast a highly unflattering light on the women workers.

Suppose, as might be done in some offices, the fluorescent lights were spread out instead of being run in rows, and mounted behind a ceiling made of a translucent material instead of housed in individual fixtures. The result would be a glowing luminous ceiling rather than harsh tracks of light. Then suppose the designer added other kinds of lighting—say, incandescent floodlights recessed at strategic points. These, because of their fine projection qualities, would raise the general light level, blending with and adding sparkle to the flat fluorescent lighting, as well as bringing warmth to the cheeks of women workers. Suppose, finally, that the designer analyzed the office routine so that he could create point sources of light for specific seeing tasks. These could be

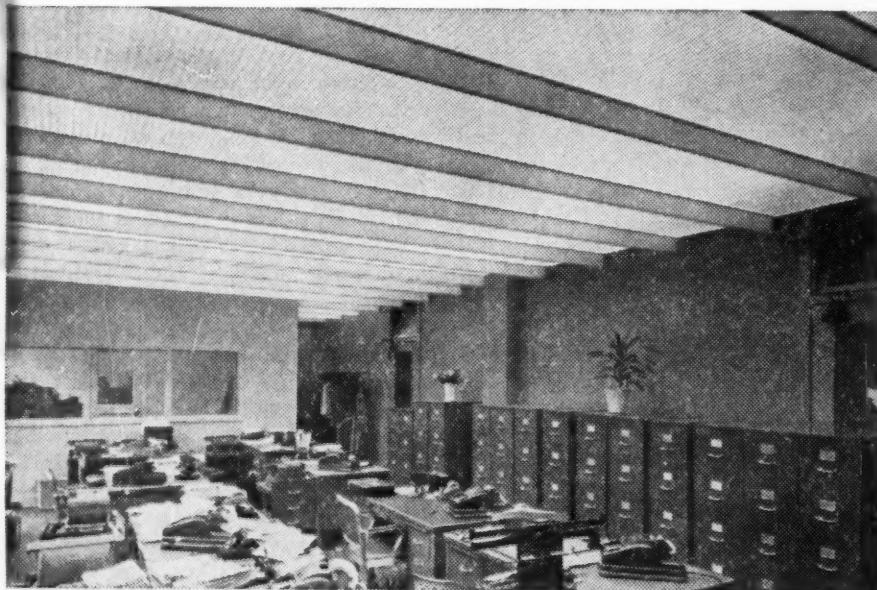
\* Mr. Feder is a prominent lighting designer with headquarters in New York City.

self-contained searchlights, which could be individually focused on the work area, or they could be more conventional incandescent types, mounted behind lenses and designed to cover a broader area. On the one hand, the principles of reflection would be utilized to save wattage and add punch; on the other, the business would be cashing in on the magnifying powers of lenses.

Here, then, would be an office of pleasing design where light and architecture would combine structurally as well as aesthetically. It would be an office in which people not only see well but look well, where the light is adjusted to the work, not the worker to the light. This would be an attractive office in which people could both work well and feel well. It would also be a practical office because it would use less electric current and need less expensive wiring. In addition, since such lighting would be easy

to get at, bulb changing would not be a major operation and housekeeping would become simple. Finally, such lighting would cost no more to install than the lighting already used by most modern offices. The labor and materials would be the same; the difference would lie in how they were used. Two examples of modern office lighting which blend the aesthetic with the practical to good advantage may be found at the Phoenix Insurance Co. of Hartford, Conn., and the Secretariat of the United Nations in New York City.

Today, the modern business office can easily reach all these lighting objectives. It needs only to apply the concepts of the designer as well as those of the engineer when planning the lighting job. Industry would then be using lighting tools imaginatively, not only scientifically. And it is the imaginative content of a lighting installation that makes the difference with people.



AN EXAMPLE OF WELL-DESIGNED OFFICE LIGHTING

## CONTROLLING AND MAINTAINING OFFICE EQUIPMENT

**A**T WESTINGHOUSE we have developed a procedure for controlling and maintaining office equipment which has proved both practical and economical. Our managers and department heads are in such sympathy with this program that we receive as nearly perfect cooperation as could be asked for in so large an undertaking.

Thirty to 60 days preceding the calendar year, the Purchasing Department makes up a list of the items to be purchased the following year and presents its estimates of expenditures to management for approval. These are prepared at headquarters, but are accumulated from questionnaires submitted to all divisions, district offices, and subsidiary companies. Requests, preferably in the form of requisitions especially designed for this purpose, are submitted to the purchasing office through a previously selected representative at each works and each office, who is responsible for determining the need for a machine and for notifying headquarters of the availability of surplus and excess equipment. The requests are then analyzed, and the type of equipment that should be furnished is decided upon.

The cost of repairs and maintenance service for each piece of equipment is recorded on inventory records, enabling us to determine the expense of each machine. Requests for replacement of a machine are first checked with the inventory record to determine the date of purchase and any special features that might be incorporated in the existing machine or in the one replacing it. After this, the new machine is shipped from available stocks or ordered from the supplier. (Headquarters maintains quite a large area of floor space for storage of used and new equipment.)

Maintenance for mechanically or elec-

trically operated machines is as important as the machine itself. In some of our large divisions, we employ a local man who is capable of making minor repairs. Major repairs, however, are performed by a skilled mechanic who is familiar with the particular type of machine.

We utilize and recommend maintenance contract agreements provided by the manufacturer. We have worked out, with the manufacturers, blanket contracts, written for a period of 12 months, which cover any or all machines owned by the company. Though such contracts are negotiated through headquarters, each office manager has the right to determine whether or not his machines should be covered.

It is not advisable to place typewriters under regular maintenance service. Normally, typewriters are not used as long as some other machines and are traded more frequently. The length of life of the average typewriter is from three to five years, depending upon its use. (Typewriters equipped with key stroke counters are pretty generally ready for replacement at the end of three years.)

Secretarial machines and ordinary typing machines that are used only a few hours a day need not be replaced before five years. Adding and dictating machines, together with calculating and hectograph duplicating machines, last for 10 years; bookkeeping, payroll, and check-writing equipment, seven years. Replacement time of these is only theoretical, however, being determined by the extent of use. Even if the machines are not completely worn out in these periods, improvement in design and the addition of special features may make them more or less obsolete.

A major item in connection with the proper use of office machines has pretty

generally been treated too lightly. That is supplies. We maintain a central stationery department where approved items are carried in stock. Insofar as is practical, supplies for all divisions are ordered from this central stock. Contracts for certain supplies commonly used, such as carbon paper, ribbons, etc., are made with

the manufacturer and apply to all our works and offices. These permit local purchase of small quantities of these items from the local offices of the suppliers and thus prevent accumulation of large stocks that ultimately become old and deteriorated.

—WALLACE D. BISH (Purchasing Agent, Westinghouse Electric Corp., Pittsburgh, Penna.). *The Office*, March, 1952, p. 78:8.

### **Traveling Requisition Cuts Down Clerical Effort**

A TRAVELING REQUISITION devised by United Specialties Company, Chicago, does the work that formerly required as many as 27 separate clerical operations.

A basic feature of the system is a 5- by 8-inch form that makes it unnecessary to make out a new requisition every time an item must be reordered. This eliminates repetitive requisitions formerly used for individual purchases. At the same time, the purchasing department does not have to fumble through old orders to discover prices and specifications on items to be reordered.

When additional stock is needed, the materials control and stores department draws from its files the traveling requisition card for the particular item, leaving an "out" card with the date of withdrawal and the part or inventory number.

Before leaving materials control on its travels, the card must be filled in with this data: date, amount on hand, date required, and quantity needed. The requisition then goes to the general factory superintendent, vice president-treasurer, and the purchasing agent for an okay. A special envelope is used to make sure there is no delay in transit.

When the order has been properly okayed, the purchasing department completes the purchase. Before returning the requisition, however, the purchasing department records on the card the date, purchase-order number, vendor (identified by a number), quantity, price, and discount. The department also records the standard cost on its file copy so that price variations can be computed.

From the purchasing department the requisition travels to the cost department, where necessary notations are made on cost records. Then the requisition is returned to materials control and is replaced in the files. The company insists that all cards be returned within 48 hours after they are received by the purchasing department.

The new system eliminates clerical effort by consolidating records, simplifies the work of the purchasing department, establishes cost standards for purchasing, and records current deviations from standard. The traveling requisition is also standardizing purchasing specifications for repeat buying.

—*American Business* Vol. 21, No. 9.

### **Reading Made Easy**

A LENDING LIBRARY started by General Electric (Fort Wayne Works) provides a novel service to employees. Workers can have business and technical magazines sent to their homes monthly. The employee simply selects titles he wants and the company librarian sees to it that issues are mailed regularly. Employees may keep the magazine five days before returning it to the plant library. There is no charge for this service.

—*Mill & Factory* 1/52

## Morale a Major Problem to Office Supervisors

A SURVEY among office supervisors revealed that 45½ per cent of their case problems fall in the area of morale, Richard B. Johnson, Training Coordinator for the Port of New York Authority, pointed out recently.

Incompetence on the part of the employed individuals accounted for 28 per cent of the problem cases, while lesser percentages were ascribed to difficulties arising from salary administration, shortage of personnel, problems relating to higher management, inadequacy of training facilities, lack of consideration, poor manners on the part of employees, etc.

The specific morale problems bothering supervisors were listed as: (1) lack of feeling of responsibility; (2) absenteeism and tardiness; (3) lack of discipline (talking, "coffee time," loafing); (4) lowered production; (5) lack of interest in job and company; (6) poor attitude toward work; (7) lack of loyalty to company; (8) neurasthenia; (9) new employees with poor attitude; and (10) high turnover.

A recent poll also indicated the following desires of office workers, in the order of their importance: money, good working conditions, security, a sense of satisfaction, prestige, variety of work, recognition, and opportunity for expression.

This order of importance of job characteristics varies somewhat from polls taken a few years ago when "job security" was listed as the number one criterion, and money stood third or fourth. No doubt the immediate pressure of inflation has altered the emphasis.

—L.O.M.A. *Quarterly Review* (issued to members of the Life Office Management Association, New York, N. Y.) 1/1/52



## Solving the Coffee-Time Problem

COFFEE-TIME PRACTICES in some offices are getting out of hand. In most instances lack of supervision or poor supervision appears to be at the root of the problem. Some firms, however, have very little trouble with the coffee period. They encourage it and are on the lookout for ways of improving it as an employee service.

One such firm, for the past three years, has been furnishing free coffee to all employees. Consumption is approximately one pound of coffee per week per employee—an annual cost of \$40 per worker.

Result: it is comparatively easy to enforce the rule prohibiting employees from leaving the premises during the coffee period. This firm also finds that workers are inclined to "break off" for coffee when they can best afford to leave their posts.

—*Personnel News Bulletin* (California Personnel Management Association) 12/31/51

## Also Recommended • • •

**HOW OFFICE PLANS A BLOOD DONOR PROGRAM.** By Arthur R. Pell. *The Office* (270 Madison Avenue, New York 16, N. Y.), March, 1952. Every step in arranging for a business group's blood donation is outlined in this article, from the appointment of a coordinating committee to the suggestion of specific details which will insure its success. The author points out that many groups which participate in blood programs take advantage of the opportunity to build up a blood savings account, which may be drawn upon, if necessary, by a member of the group or his immediate family.

**MOVING THE OFFICE.** By Kenneth H. Ripnen. *The Office Economist* (369 Broadway, New York 13, N. Y.), Vol. XXXIV, No. 1. It is possible to move the equipment of a thousand office employees in a single weekend, the author points out, if the procedure is planned and scheduled in advance. He describes and illustrates the steps in this operation, which include preparation of a scale plan for each floor, and the labeling of each piece of equipment according to room number and a previously determined "color zone."

**OFFICE WORK PACES PRODUCTION AT REPUBLIC AVIATION CORP.** By Sidney Feldman. *The Office* (270 Madison Avenue, New York 16, N. Y.), March, 1952. This firm's purchasing division now has a centralized typing section and records staff of only 27 employees, working day shift only, compared to a small army of typists, working day and night shifts in cramped quarters, before the system described here was introduced. The office force now uses one-third less space, with U-shaped functional desks built by Republic to assure a continual flow of work.

**SYSTEMS MANAGEMENT COMES OF AGE.** By Armond L. Mettler. *Office Management and Equipment* (212 Fifth Avenue, New York 10, N. Y.), February, 1952. The author tells how a systems and procedures unit can be started, describes its functions, and lists the qualifications to look for in selecting a systems and procedures manager. By applying the principles of scientific management within any one department and by codifying these practices and policies in a manual, the groundwork can be laid for a company-wide systems and procedures department, the author points out.

**WHAT MAKES AN EFFICIENT OFFICE?** By William S. Roberts. *Office Executive* (132 West Chelten Avenue, Philadelphia 44, Penna.), December, 1951. Some of the major ways of increasing office production include development of proper methods, through work simplification and use of a procedure manual, and installation of mechanical equipment after a careful analysis of specific needs. The author points out that office machines help attain peak production only if they are kept in good working order through preventive maintenance aimed at extending the life of the machine.

**THE 1952 OFFICE: ROOM FOR IMPROVEMENT.** *Modern Industry* (400 Madison Avenue, New York 17, N. Y.), December 15, 1951. In the past 100 years the dollar productivity per factory worker has increased 1,400 per cent, whereas productivity per office worker has gone up less than 40 per cent. This article points out how 20 per cent of office work can be eliminated by the use of a good methods program.

### A NEW APPROACH TO MAINTENANCE

THE EMPHASIS in plant maintenance is beginning to change from cost reduction to cost control. Many companies, because of the high cost and growing difficulty of replacing equipment, are programming regular inspections and making repairs before equipment breaks down. Some of the points made at the Third Annual Plant Maintenance Conference recently held in Philadelphia show how both large and small companies are getting the most out of every maintenance dollar through preventive maintenance, control of repair work, and improvement of cost control.

**Preventive Maintenance.** There's no single yardstick for determining what to spend for preventive maintenance. The best approach is to decide which equipment should be inspected and lubricated and at what intervals. You can then estimate man-hours required for planning, scheduling, and inspection, and translate the plan into approximate cost.

It is inadvisable to have a separate workforce devoted to preventive maintenance. Generally, it's better to have a group of people who can do both inspections and actual maintenance. Small companies can utilize their existing workforce by training programs (in-plant or at local trade schools) to broaden skills.

Who should have authority to stop production equipment for overhauls? In some plants there's friction between production and maintenance because the former do not want to give up a machine for overhaul—especially with today's pressure on production schedules.

Three solutions to this problem were outlined at the conference: (1) Plan

overhauls well ahead of time and schedule as many as possible for week ends, holidays, or other "free" periods. (2) Choose a maintenance supervisor for his ability to get along with production people. (3) Hold weekly meetings of production and maintenance personnel at which needed repairs are scheduled jointly; this will enable production to plan ahead and make the necessary adjustments, and at the same time, help maintenance men to keep machines at a level of performance that reduces the need for major repairs.

Design is a basic factor in decreasing maintenance cost. Large companies have full-time metallurgists, structural engineers, and equipment design engineers check on equipment failures to see if the proper material, heat treatment, etc., are being used. Though small plants can't throw out all equipment that's hard to paint or service, they can check on the worst offenders, noting objectionable design features. When the time comes for replacement, these notes will be invaluable in specifying desired features.

**Controlling Repair Work.** Some plants reported that inefficiency resulted because inaccurate specifications are written for repair work. One plant solved this problem by placing maintenance men with the rank of assistant foremen in key production divisions as maintenance area supervisors. (Originally, work orders were prepared by production personnel.) These men are under the control of the maintenance supervisor and act as staff assistants to the production foremen. They are given special training in preparing work orders which specify: (1) the type of work to be done, with recom-

mendations for replacement, field repair or shop repair; (2) material and special tools required for work, with sketches if necessary; (3) type and number of workmen needed.

**Improving Cost Control.** Various yardsticks, such as maintenance expense per kilowatt hours of power, per dollar of machinery investment, per dollar of output, etc., are used to measure and control maintenance cost. Which of these is the most reliable?

—*Operations Report* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.), January 29, 1952.

### **National Clearinghouse for Suggestions**

SECRETARY OF COMMERCE Charles Sawyer has announced the creation in his Department of a national clearinghouse for suggestions to improve industrial productivity.

"During World War II," he stated, "manufacturers sent ideas of all kinds evolved in their shops to a comparable clearinghouse in the War Production Board. The ideas that were most practical and had the widest use were published and circulated throughout all industry. The result was a pooling and interchange of productivity ideas which were often little things in themselves, but cumulatively had a tremendous effect in speeding up our industrial production and making it more efficient and safer."

"In our current race to tool up to meet any defense emergency in the fastest possible time, there is just as much reason, if not more, to pool our industrial know-how today."

The clearinghouse activity will be undertaken in a modest way on as nearly a self-supporting basis as possible. It is to be a voluntary effort by the nation's manufacturers in which they cooperate for mutual and reciprocal benefit, with the Department acting as the means for collecting, pooling, and redistributing to reach all of industry.

The following measures will be taken to get the clearinghouse under way:

1. Letters will be sent to industrial leaders asking their cooperation and asking them to designate officials in charge of forwarding beneficial suggestions to Suggestions, U. S. Department of Commerce, Washington 25, D. C.

2. The material will be handled by the Department's Office of Technical Services, which will digest the suggestions and incorporate them into a newsletter to be circulated among interested industries.

3. For manufacturers who desire full data on suggestions listed in the newsletter, the Department will furnish photocopies at charges approximating cost of reproduction and distribution. Firms contributing the suggestions will be properly credited.

"Participation in this program," Secretary Sawyer said, "provides an opportunity for all of industry to benefit, because such pooling of ideas will lead to higher productivity, lower costs, and better safety records. It will enable smaller and larger firms to work cooperatively in the interest of defense. In addition, and most important, there is the patriotic contribution that participants in the clearinghouse will make to the job of strengthening our industrial potential."

Unless there is a direct relation between the index and maintenance requirements, none of these yardsticks is a really effective control. When related to past activity, they are of some value in indicating the trend of maintenance costs; but at best they reflect only what maintenance *has* cost, not what it will or *should* cost. The latest thinking, as described at the maintenance meeting, is that each plant must study each of its departments or divisions to find the best specific indexes.

## TONED-DOWN NOISE TUNES UP OPERATIONS

WHEN STEEL meets steel, there is bound to be noise. The big question is how much noise? When does the hum of productivity begin to carry overtones of inefficiency? Since it takes energy to produce noise, an unusually high noise level means energy is being expended for other than a useful purpose. Thus excessive noise from a machine can mean either that it is working too hard or that it needs maintenance.

To what extent noise abatement improves performance of personnel cannot be stated in terms of dollars and cents, since few studies have been made that measure the effect of noise on either personnel or production. Investigation and control of noise, however, can open many avenues of improvement in plant operation because so many factors contribute to noise level.

The biggest noise producer in metalworking is impact force. The extraordinary force required for press operations produces much noise and causes rapid deterioration of dies. Noise and die wear on punch presses can be reduced by varying the angle of the punch. Moreover, in an operation where several holes are punched at one stroke of the press, a reduction of noise will result if speed punches are used that punch holes progressively. Noise from punching and blanking operations performed on multi-stage dies can be minimized by equalizing work between stages and having one stage precede the other.

In a metalworking operation, hardness or yield strength of material is a primary factor in the noise generated. Harder material requires greater force and causes higher noise levels, while work on thin material is more annoying to personnel than similar operations on thick ma-

terial because the natural frequencies of the former are higher.

Not all noise is caused by the actual metalworking operation, however. An appreciable part of it results from improperly adjusted machines. Gears, clutches, bearings, and automatic feeds are noisy if clearances become excessive.

Proper selection of machinery can result in noise reduction. Overloaded machinery is excessively noisy because machine structures are easily excited to vibration by the metalworking forces. An operation takes the same force on any machine, but vibration is less and noise intensity lower when the job is done on a larger machine.

A shield around a machine prevents direct radiation of noise. To be worth while, noise shields should be heavy and should be lined with light, porous-textured acoustical material. Gears, clutches, and other mechanisms which do not have to be observed or manipulated may be shielded.

Acoustical treatment of ceiling and/or walls of a room in the vicinity of a machine curbs noise reverberation. In a low-ceilinged room, it is necessary to treat only the ceiling over the machine. If the ceiling is high, 50 per cent of the wall area should also be treated, preferably in patches alternated on opposing walls.

In a building in which impact noises occur, the ceiling should not be rigidly connected to the floor joists. Use of a subfloor, a false ceiling, and an absorptive blanket in between will combat noise. Any means of introducing resilience between the floor and the source of impacts is also useful.

Isolators under machines are effective in decreasing transmission of noise to a room below. Floor construction, how-

ever, often limits effectiveness of noise isolators. Machinery mounted on concrete floors is well-adapted to noise isolators, but isolation is difficult if the offending machinery rests on a wooden floor. Securing the machine to a massive concrete block mounted on isolators is the most effective method in this case, since

—CHARLES E. CREDE. *Steel*, February 25, 1952, p. 76:2.

inertia of the block reduces machine motion.

Conduits, rigid pipes, and ducts also transmit noise. A short length of rubber or flexible metallic hose in a pipe or conduit tends to reduce noise transmission. A canvas joint in a ventilation duct will serve the same purpose.

## SPACE MANAGEMENT—THE FOURTH DIMENSION

WE ALL KNOW THAT, given the same size factory, different companies will arrive at a different method of utilizing the same space. Actually, the space available to any manufacturer is determined not only by the length, width, and height of his plant but also by the all-important fourth dimension—utilization.

From the conversations overheard at a recent convention, it appeared that nearly half the companies were considering either moving into a new plant or expanding their present facilities. All companies could certainly benefit from an examination and re-evaluation of their present plant layout, for it may very well be that the sorely needed "extra" space can be found inside their present "four walls."

Good layouts come from sound space management. A good layout is one that provides the most economical method of transporting materials from the receiving room to and through the shipping-room doors. Poor layouts raise the cost of production without contributing any additional value to the products a customer buys.

Good layouts depend upon proper utilization. How can you increase the percentage utilization of your plant area? First, break down your total plant area to determine how much of it is used for raw and finished stock storage, for work in

process, for aisles, and for your producing equipment.

The most effective measure of space management is the ratio between the floor area required for the productive equipment and the total space used. Most plants actually use only 25 per cent of their total floor area for production equipment. We all recognize that—particularly in the job-shop type of operation—100 per cent utilization of floor area for productive equipment would be impossible, but surely each plant should attempt to get as great a utilization of its expensive and scarce floor area as possible.

Does work in process require a great deal of space? Management should determine whether a lot of important manufacturing space isn't occupied by skids and material that can't be worked on for days.

Does raw and/or finished stock storage occupy a lot of space? Management should check to see if it is taking advantage of cubic feet, as well as square feet, by stacking as many of these things as possible vertically.

Do aisles require excessive space? Is space being "stolen" to provide wide aisles because poor housekeeping keeps making the aisles smaller?

Consider whether the space required for present equipment is at a minimum.

To do this, stop thinking of the straight line as a sacred method of layout. Large reductions in operational costs and space requirements have been achieved by arranging equipment in squares, triangles, and circles.

—KENNETH J. EATON. *American Paper Converter*, January, 1952.

Taking into account the fourth dimension—utilization—will permit you to expand your facilities, without additional building, through the conversion of non-productive space into real profit-producing areas.

### **Major Productivity Trends, 1909-1950**

CHANGES in worker productivity tend to vary sharply from industry to industry and from year to year, according to a compilation of productivity information for the period 1909 through 1950 issued recently by the U. S. Department of Labor's Bureau of Labor Statistics.

With the same expenditure in man-hours, an average rayon mill in 1950 could produce almost three times the amount produced in 1939, while in grain milling the output per man-hour actually declined by 15 per cent for the same period. Many industries, such as condensed milk processing, clay construction products, cement, metal refining, and paper, showed declines in productivity during the years of World War II, but gained ground in the post-war period.

The report contains productivity indexes for a large segment of the national economy, including numerous individual manufacturing industries, mining, agriculture, railroads, electric light and power, and communications.

Copies of the report, entitled *Output Per Man-Hour and Unit Man-Hour Requirements, 1909-1950*, may be obtained without charge from the New York Regional Office of the Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, New York.

### **Are Substitute Materials Overcoming Shortages?**

FACED with shortages in critical materials, many manufacturers are turning to substitutes—or replacements, as some materials producers prefer to call them. Other firms appear unconcerned and continue to use the materials and methods they have always used. In a recent survey, purchasing agents expressed the following views on how far substitution has gone among their suppliers, what effect it has had, and what it may do to materials markets in the future:

Fifty-nine per cent noticed a definite effort among suppliers to aid in the conservation of critical materials by using substitutes.

However, slightly more than 25 per cent reported observing resistance or indifference. The reason given most often—practical substitutes are not available—what there is is too costly, too difficult to machine, inferior in quality, etc. A natural inertia, or resistance to the difficulties involved—e.g., tooling and engineering changes—was the next most frequently mentioned reason. Lack of conviction that shortages really do exist and a hope that the Korean war will end soon were next. Other reasons mentioned: suppliers' lack of experience with substitutes; skepticism on the part of consumers; lack of effort on the part of government agencies to make the emergency clear; past unfavorable experience with substitutes.

Purchasing agents were asked if they expected the policy of substituting to have a permanent effect on any basic materials markets. Forty-six per cent believed it would, predicting wider permanent acceptance of aluminum, low alloy steels,

magnesium, plastic, and various synthetic products. It was pointed out that substitutes might prove to be cheaper, easier to produce, and better suited to certain applications than the materials they replace. Many also believed that the use of a new material made the product superior to what it had been.

—*Purchasing* 2/52

CONTINUED INCREASE in our standard of living depends on the 16 to 20 per cent of our current production we do not consume but put into capital goods each year, a study by the Twentieth Century Fund points out.

## Also Recommended • • •

**GUARDING THE MACHINE.** National Safety News (425 North Michigan Avenue, Chicago 11, Ill.), March, 1952. This is a technical discussion of the problems involved in guarding the point-of-operation of machinery, where the majority of machine accidents occur; it includes a checklist designed by the National Safety Council which can act as a helpful guide in mechanical apparatus inspection. Among the specific problems discussed are: die design, hood enclosure, interlocking devices, photoelectric guards, and suitable materials for various kinds of guards.

**HOW EFFECTIVE IS INDUSTRY'S PURCHASING FOR DEFENSE?** By Herbert L. Brown. *Purchasing* (205 East 42 Street, New York 17, N. Y.), January, 1952. The survey reported on in this article was conducted among the largest producers of Air Force material in order to determine whether procurement activities are being competently managed and Air Force funds efficiently spent. Though it is not the purpose of the survey to revamp a contractor's purchasing organization, contractors will be given recommendations on how to improve their purchasing operations.

**THE SAFETY COMMITTEE IN ACTION.** National Safety News (425 North Michigan Avenue, Chicago 11, Ill.), January, 1952. This article presents the answers of a group of safety workers representing various branches of industry to the question: How does your safety committee operate? The participants in this discussion agree that the safety committee is an invaluable aid to the safety department and offer many practical suggestions for the operation of such committees.

**BETTER WORKING CONDITIONS FOR GREATER PRODUCTIVITY.** By George A. Richroath. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), December, 1951. The author describes the layout of manufacturing and assembly areas at Sperry Gyroscope Company, which were designed with these ideas in mind: First, better work performance begins with the efficient arrangement of facilities at work stations,

enabling employees to produce goods with less fatigue and fewer waste motions. Second, the most advantageous layout of machine and assembly groups and of over-all manufacturing and assembly areas in line with specific needs contributes to comfortable working conditions.

**LINING UP SUBCONTRACT ORDERS.** By Dwight G. Baird. *Purchasing* (205 East 42 Street, New York 17, N. Y.), January, 1952. An outstandingly successful subcontractor in World War II and in the present defense program describes how information is obtained on potential defense work, how it is coordinated with civilian production schedules, and how essential information on the company's facilities is presented in the form most helpful to the buyer. The author stresses the importance of intelligent salesmanship in making and maintaining personal contacts with prime contractors.

**OUR "LOYAL" SABOTEURS.** By Ken Jones. *Nation's Business* (1615 H Street N.W., Washington 6, D. C.), December, 1951. While the FBI has developed reliable techniques for establishing the probable loyalty of any individual, the bad security risk presents an equally important and more difficult problem. The author cites many examples to illustrate the point that thousands of technically "loyal" Americans have been convicted for virtually every type of violation of sabotage statute.

**HOW TO CUT REJECT COSTS 80 PER CENT.** By D. H. Baum. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), December, 1951. One company instituted a quality-improvement program aimed at building employee cooperation, training key people, improving inspection methods, and analyzing field complaints. The program has resulted in cost reduction, improved inspection tools and methods, higher morale among inspectors, and better methods for checking purchased parts. One feature of the program is a team contest in reducing the cost of rejects used to focus attention on the over-all campaign.

## SALES SUPERVISORY TRAINING

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THE ABILITY to manage men is the number-one requirement of a sales supervisor. It is too costly for the supervisor to learn his job by experimenting with the morale and effectiveness of men working under him. Every sales supervisor should be given the benefit of the experience of others and particularly cautioned about the mistakes of others. The best way to carry out this objective is by means of some form of either formal or informal training.

### PLANNING A SUPERVISORY TRAINING PROGRAM

Before initiating a sales supervisory training program, the top executives should make decisions in respect to such questions as the following:

1. Should supervisory training be given prior to selection for a supervisory job?
2. What are the objectives of the supervisory training?
3. What training does the sales supervisor need?
4. What methods of training can be best used to give the needed training?
5. Who will train supervisors?
6. What provisions should be made for the continued training of supervisors?

### PRE-SELECTION TRAINING OF SUPERVISORS

Advance selection of men for supervisory positions makes pre-training possible. A pre-training program has a number of advantages. *First*, the ambitious salesman who was told about rapid advancement opportunities feels that the company is making good its promise. Enthusiasm for his selling job can be maintained because he feels that a promotion will be forthcoming. *Second*, advance

selection serves as a trial, giving the salesman an opportunity to find out whether or not he would like supervisory responsibility. *Third*, it helps the executive to find out whether or not a man has "what it takes." If someone is promoted who is not qualified, it will seriously impair the performance of the salesmen working under him. *The company may also lose a good salesman, who, if he had not been promoted, would have remained an excellent sales producer.* *Fourth*, pre-training makes it possible for the prospective supervisor to absorb information in small doses. Instruction thus does not have to be thrown at him in a few weeks (which may be somewhat disconcerting), as in some formalized preparatory courses.

The change from salesman to supervisor requires a change in outlook, objectives, attitudes, and scope of operation. The more gradually such a change can be brought about, the more time the man has to adapt himself to his changed status. The best way to make an executive out of a salesman is for him to see, hear, learn, and absorb the executive viewpoint.

A few companies have met this problem with considerable success. Sales representatives, by means of questionnaires, are asked to state to what job goal they are ultimately aspiring. Most salesmen who aspire to jobs other than that of a salesman want to be branch managers. The typical ways in which sales representatives feel their company can help them attain such an objective are:

1. Pointing out to them the shortcomings which might prevent them from reaching the status of a branch manager.
2. Defining the qualifications of the jobs to which they aspire.
3. Checking with them from time to time to note their progress toward their goal.

Sales representatives can do something to help themselves attain their objectives. Those who aspire to managerial jobs can observe successful managers and analyze the actions of supervisors in order to decide what qualifications are desirable for promotion.

A salesman being considered for supervisory work should be given as many experiences as possible that will get him ready for the new responsibility. Such pre-training procedures as the following have proved helpful to companies that have used them:

1. Assign prospective supervisors to a number of territories and/or types of customers, thus making them aware of the difficulties encountered by salesmen in various selling situations.
2. Assign beginning salesmen to them for instruction. This will give them experience in developing recruit salesmen.
3. Bring them into the home office or a branch office in some assistant capacity to acquaint them with the policies and procedures of the company.
4. Assign them activities, one at a time, that must be handled by a supervisor. If a supervisor is responsible for selecting salesmen, the prospective supervisor may be required to participate in the hiring of a few salesmen before becoming a supervisor. Some companies make it policy to require a salesman to find a replacement for himself before receiving a promotion.
5. Ask the prospective supervisor to make decisions in respect to the type of situations that he will have to handle when he assumes full responsibility.
6. Assign the responsibility of conducting sales meetings on particular subjects to those salesmen being considered for a supervisory job.
7. Encourage prospective supervisors to participate in self-improvement. A few ambitious salesmen may attend university night school classes. Other salesmen may improve themselves through extensive reading. The maintenance of a li-

brary will be helpful in encouraging salesmen to improve themselves.

8. Give pre-selected supervisors the responsibility of handling certain types of customer complaints that fall within policy limits.

#### **PRE-TRAINING IN TERRITORY ASSIGNED**

Executives differ as to whether a supervisor should be pre-trained in the territory to which he will be assigned. Those opposed feel that it is poor psychology to place a man in the position of having been a fellow salesman in the eyes of men whom he will have to manage. Those in favor feel the trainee will have an opportunity to become acquainted with the territorial conditions and salesmen to be handled.

Caution must be exercised where pre-training is used. The program must be handled so that other salesmen do not look upon such pre-selection and pre-training as an act of favoritism. Hopes for advancement during the pre-training period should not be raised too high until the promotion is assured.

#### **NOTIFICATION OF APPOINTMENT**

Most selections for supervisory jobs are made from salesmen who have served an apprenticeship with the company. The selected supervisor should, however, be given advance notice of the appointment. All too often, the newly appointed supervisor is notified one day with no forewarning and told to report immediately to his new job. If at all possible, such appointments should be planned in advance and the new supervisor given sufficient notice to adjust himself mentally to the change. There should be sufficient time for the supervisor to become accustomed to thinking of himself in the new job. Management should appreciate that the appointment to a supervisory job often means the moving of a man's family. A number of domestic problems are involved in such a move. These problems demand considerable attention just when he should

be free to devote the greatest amount of time to his new job.

If the newly selected supervisor is to work in the field as a branch manager or field supervisor, the appointment should be made far enough in advance to bring him to the home office. Bringing him to the home office will make him feel more like a real part of the management of the company.

#### BREAKING IN A NEW SUPERVISOR

The manner in which a new supervisor is broken in has a lot to do with how well he does. *The replacement of the supervisor should be made an occasion.* Whenever possible, even though the salesmen know they are to get a new supervisor, they should be brought together and formally introduced to him. Such an introduction should make it clear that the supervisor is with them because he has earned the promotion. The salesmen should be made to understand that the new supervisor has complete authority and that they are to look to him for their leadership. A job description is a useful tool that will assist in making an orderly, effective presentation of the activities and responsibilities to be assigned to the supervisor.

#### FORMALIZED SUPERVISORY TRAINING

The sales supervisor has been dubbed by a number of writers the "forgotten man of selling." The chief reason is that executives have recognized the need of helping top-level sales managers by giving them additional staff assistance; the trend is to give salesmen more thorough training. The sales supervisor, however, is quite frequently ignored in training plans, although there is some evidence of a greater realization of the importance of a well-formulated plan for training sales supervisors. Before a supervisor can function successfully, it is imperative that he know what to do and how, where, and when to do it. This knowledge can often be best given in an organized manner, rather than

in a hurried conference dealing in generalities.

Most sales organizations do not have a formalized training program for supervisors. The greater number of companies still find it feasible to hold to the philosophy expressed by Kevin J. Solon, Manager of the Sales Control Division of Owens-Illinois Glass Company, in a personal letter dated December 20, 1949:

With regard to the training given our branch managers, I would say that it is largely a matter of self-education through several years of experience generally in more than one branch as a salesman. There is no formal training program, therefore, but we feel that the experience method under several able managers has, and continues to produce, excellent results.

The table on page 242, based on replies to a questionnaire received from 400 members of the National Sales Executives, Inc., shows the type of training given to a salesman when selected as a supervisor in various companies.

Those executives desiring to establish training for supervisors could well benefit from the experience of administrators in the field of education, who have worked out definite programs for developing the supervisors of classroom teachers. Undoubtedly, much could be learned about supervisory training by sales executives if they would acquaint themselves with what is being done to teach production foremen. Much of the information and basic approaches used in training foremen could be adapted to training sales supervisory personnel.

#### CONTINUED TRAINING FOR SUPERVISORS

Regardless of whether initial supervisory training is formalized or not, there is a constant need for continued training. The continued training programs of the future must put more emphasis on human relations. The development of the supervisor to be an effective operator in the field of human relations is a constant problem. Material and organization struc-

**TRAINING GIVEN TO A SALESMAN WHEN  
SELECTED AS A SUPERVISOR**

Training Given	Number of Companies	Per Cent of Total
None .....	55	15.1
On-the-job .....	78	21.3
Understudy .....	64	17.5
Brief statement of duties .....	38	10.4
On-the-job and understudy .....	35	9.6
On-the-job and brief statement of duties .....	31	8.5
Formalized course .....	18	4.9
On-the-job and formalized course .....	10	2.7
On-the-job, brief statement of duties, and understudy .....	10	2.7
On-the-job, formalized course, and understudy .....	8	2.2
Formalized course and understudy .....	5	1.4
Brief statement of duties and understudy .....	4	1.1
On-the-job, brief statement of duties, and understudy and factory training .....	2	.5
Brief statement of duties, formalized course, and understudy .....	2	.5
On-the-job, formalized course, and brief statement of duties .....	2	.5
On-the-job, brief statement of duties, formalized course, and understudy .....	2	.5
Brief statement of duties and formalized course .....	1	.3
Factory training .....	1	.3
Total* .....	366	100.0

“No data” returns have been omitted.

tural problems are easily licked, but the human problem is always the most difficult. A system of decentralized and local personnel administration puts a high premium on the training of supervisors.

Supervisory training should never be considered as a course of one week's, two weeks', or a month's duration. To be effective, it must be continuous and adjusted to meet changing needs. Follow-up training given supervisors is most frequently carried on by means of correspondence, bulletins, conferences, and group meetings. Too many continued training programs by-pass the immediate superior of salesmen. It is by training the supervisor properly that such training can be multiplied through the supervisor's ef-

fective work with his salesmen. The need for greater individualized training for supervisors should be recognized.

Field superiors of salesmen may be given continued training through periodic conferences and group meetings with home-office personnel. These meetings may consist of discussions on the duties of salesmen, new product information, ways and means of meeting new competitive or changed selling conditions, and the proposed plans for an ensuing period. Training meetings should be interestingly administered to hold the attention of participants. Guest speakers, models, charts, motion pictures, and panels can be used to vary the approach in different sessions.

No one teaching aid or person should dominate the training sessions. The trainee should have an opportunity to express his viewpoints and exchange ideas. In these training sessions the trainee should be given the opportunity to present ideas. The supervisor often reacts to this type of training by saying, "I can do it with the salesmen, but I cannot do it here." If the supervisor cannot do it well under these conditions, he probably will not do it any better with his salesmen. *Just as salesmen are encouraged to practice their presentations to customers, the supervisor should be encouraged to practice presentations to be made to salesmen.*

The continued training of supervisors may be formalized in much the same manner as an initial training. A number of companies periodically conduct a central school for their district or zone managers, who are directly responsible for salesmen. Other companies make it a practice to send their branch managers a weekly letter. These letters usually cover confidential factual data on company business, plus educational and inspirational material on supervision and training.

Still other companies accomplish the same end by means of follow-up conferences. The National Society of Sales Training Executives in its recent publication, *Handbook of Sales Training*, suggests on-the-job training as the best means of an over-all follow-up program in supervisory training.

Regardless of the methods employed, the continued development of a sales supervisor must be largely the responsibility of his superior. In those cases where the salesmen report to a sales manager, the general manager or president of the company must develop and guide the sales manager just as the superior of district managers must develop and guide his district managers. The process of development becomes one of largely indi-

vidual training. In too many cases, superiors of sales supervisors do not take the time to give individual training, guidance, or even moral support unless a drastic emergency arises.

*It is unreasonable to expect supervisors to handle difficult problems when their supervisor is doubtful as to the course of action and advises that it is just one of those problems that they will have to work out the best way they can.* Still another problem; regional managers and other executives charged with directing those in direct contact with the salesman often are assigned too many subordinates to be able to assist them individually. Just as experimentation should be conducted to determine the number of salesmen a supervisor can most efficiently supervise, the same type of experimentation is needed to determine the number of sales supervisors that one man can effectively handle. Considerable variation among companies exists which often cannot be explained on any other basis than custom.

#### TRAINING NEEDED

Supervisory training needs must be determined by analyzing the functions performed by the supervisor in each particular company and selling situation. The supervisory training program must be custom-made. However, any supervisory training program should include the following areas:

1. Knowledge of the work supervised.
2. Knowledge of the exact responsibilities and authority that can be exercised in accomplishing results.
3. Skill in teaching others.
4. Skill in handling human relations.
5. Skill in evaluating, planning, organizing, and in controlling and motivating salesmen.

If it is desired that salesmen believe in and understand the philosophy and principles of our economic system, then some indoctrination of sales supervisors in this

area is essential. Otherwise, a mainstay spokesman of our system is forgotten.

#### BENEFITS

The benefits of a soundly conceived and carefully administered supervisory training program seldom pay off in the short run. In supervisory training, executives can be developed who can assume even greater responsibility. Greater decentralization of control over salesmen

can be effected. More immediate benefits of supervisory training would be improved sales performance and decreased turnover of both salesmen and supervisors. Companies would be in a better position to meet the threat of competition. Trained supervisors are more apt to see the need for satisfying the desires of their salesmen. Most important of all, a supervisory training program is an effective way of stepping up sales performance.

## CHOOSING A CAR PLAN FOR SALESMEN

THE RELATIVE MERITS of using company cars, leased fleets, or salesmen's cars are often appraised on the basis of out-of-pocket costs alone. However, territorial conditions, sales objectives, and general sales policy are also important factors. Before a plan is chosen, three questions should be considered:

1. *Does the particular plan tie in with the company's sales policy?* How much do you expect salesmen to travel? Do sales objectives differ by territories? Paying salesmen for use of their own cars often gives a company a better chance to vary reimbursement according to different territorial objectives. For example, a mileage rate scale can be set up to give high-mileage men something extra because of diminishing depreciation cost. But where company-owned cars are used, salesmen generally get out-of-pocket expenses for gas and oil only. If the company wants to provide an incentive for thorough exploration of the territory, it will need a separate stimulus.

2. *Is the plan flexible?* A firm with a fluctuating sales force can't buy and sell cars in direct proportion to the number of men it takes on or lets go. Consequently, a company-owned fleet may be

a white elephant in slow periods and inadequate when business is good.

3. *Does the plan fit in with the company's general method of sales compensation?* For example, if you give salesmen considerable leeway in their own territories, paying them a small salary and generous commission, the auto compensation plan should be equally flexible. This may require use of salesmen-owned cars. On the other hand, some companies exercise tight control over salesmen, right down to planning their calls. Company-owned or leased cars make sense in this situation.

**Salesmen-owned Car Plans.** Under this type of plan, the flat-rate method of reimbursement isn't desirable if mileage varies considerably from territory to territory, since depreciation and other fixed costs decrease per mile as travel increases. Variable rate plans are fairer to both company and salesmen than the flat-rate method if actual depreciation and per-mile operating costs can be estimated accurately. Some companies prefer to estimate depreciation, add insurance and other fixed costs, and divide by the payment period chosen. Then they fix a flat mileage rate on the basis of the cost of

gas, oil, tires, and preventive maintenance. A rate plan tailored to meet actual conditions under which various salesmen travel is the ideal solution, of course. The Runzheimer plan and the Dartnell Sliding Scale both take into account such territory characteristics as terrain, distance between stops, current cost of gas and oil locally, territory insurance rates, and other variable factors.

**Company-owned or Leased Fleets.** The more complex plans for reimbursing salesmen for use of their cars are likely to be an administrative headache. On the other hand, simple flat-rate payments create dissatisfaction among the men. To escape this dilemma, many firms are checking into the advantage of buying or leasing cars for the sales force.

The primary advantage of fleet operation is low cost. Firms using this method also report these benefits: In a tight labor market, the offer of a company car can be an important advantage in hiring; control of the vehicle by the company results in better maintenance; allowance problems are eliminated; better territory coverage results—companies switching over from salesmen-owned cars find their men less reluctant to move into tough terrain.

**Buy or Lease?** Company ownership

—*Distribution Report* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.), Vol. 8, No. 24.

### A School for Salesmen's Wives

LIKE SO MANY OTHER SALES ORGANIZATIONS today, U. S. Machine Corp. has become increasingly aware of the potential value to its business of salesmen's wives. Many companies have recognized their importance and have tried to make them an asset. The most common way has been to mail premium or prize catalogs to salesmen's homes, hoping that wives and children, seeing things they want in the catalogs, will get behind the salesmen and prod them to special endeavor.

U. S. Machine Corp. top hats went about it in a different way. Analyzing the situation, they came up with two ideas:

1. That all too often the wife sees the company robbing her of her husband's time and companionship and becoming a rival, she feels, for his affection. At first she is slightly resentful. In time she may become openly jealous. This, unless

may be less expensive than fleet rental. The saving over leasing can range from 1 cent to 1½ cents a mile, depending on the efficiency of fleet management. But, if it's necessary to borrow money to make the purchase, interest payments may more than offset such savings.

Leasing simplifies record-keeping. Company ownership puts a premium on proper maintenance, which can be achieved only with periodic reports on car condition, service records, and a good follow-up system. The accounting load is increased by depreciation adjustments, numerous individual bills, and arrangements for purchase and sale of cars. When fleets are leased, much of this work is done by the outside company.

Combination lease-management plans combine the merits of both systems. One fleet-leasing and management consultant firm has developed a plan under which it buys the kind of cars the company wants and leases them at a rate of 1 per cent of the purchase price per month as a service and management fee. It also collects 2 per cent per month for depreciation reserve. The difference between the actual depreciation and the reserve is credited or debited when the car is sold. All expenses of operation and maintenance are paid by the company running the cars.

brought under control, can end up in irreparable damage to the salesman's worth to his employer.

2. That if given proper training and information all wives might easily be schooled to become enthusiastic helpers to their salesmen husbands.

The company's sales heads decided to give this idea a try.

Forty-seven women, wives of district sales managers, dealers, and dealer salesmen were therefore put through a week of intensified sales training at the company's general offices and plant. As in the Retail Sales Training Clinic the company conducts for its men, the women's course was built around four fundamentals: hearing, seeing, reading, and doing. Company personnel, who also conduct the clinics for the men, lectured on sales fundamentals, made retail sales presentations, assigned extra-curricular studies, and then listened while the wives (all volunteers) gave the story back.

The women's sincerity was evident from the very start, according to the company's sales promotion manager. Says he: "No speaker ever found a more responsive or attentive audience. Their concentration, and the way they took notes, set a standard by which many male trainees would suffer."

He feels that any salesman who enlists his wife as a helper and any wife who becomes the helper of a salesman-husband will be happier. They will have a better understanding of each other's problems; they will take an increased interest in their community; and they will have more money for improving their homes.

—*Sales Management* 1/15/52

### **What Customers Expect of Salesmen**

A STUDY TO DETERMINE what the customer wants has been made by Ray C. Brewster, vice president in charge of sales at Hickok Manufacturing Company, Inc. His purpose is to help salesmen make "clients out of customers." Here are some points which show what customers expect of salesmen and which, if followed, should make it easy to turn a customer into a client:

1. Customers are individualists who want to be "better," not different.
2. Customers want to be known for their "better taste."
3. Customers like to have salespeople look up to them.
4. Help a customer by finding out first what he wants.
5. Present merchandise respectfully.
6. If you argue, you lose.
7. Never take a "customer friend" for granted.
8. Keep your distance—keep your customer.
9. Make your comments sincere.
10. Don't mix your informal greetings with formal business.
11. Compound a happy buying incident.
12. Never refer to your "sale"—rather, your customer's "purchase."
13. Each customer is an opportunity—get name and address.
14. Dignify your closing with a gracious "Thank You."

—*Your Selling News Letter* (Dartnell Sales Service, Chicago 40, Ill.)

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CLOSE COVER BEFORE STRIKING: A total of 12½ billion match books are used in the United States each year, an average of 143 for every adult. More than 90 per cent of the books are given away free by retailers, which explains why Americans spend only 31 cents a year for matches, the lowest per capita rate in the world.

—*Industrial Distribution* 2/52

## RECRUITING AND TRAINING SALESMEN: A SURVEY OF CURRENT PROBLEMS

INSURING A FLOW of capable men into the sales organization for expansion and replacement is a problem facing sales managers at all times. Today, with production up 90 to 130 per cent, and still climbing, and the national sales force up only 35 per cent, the problem is even greater.

According to a recent study, a major complaint of most companies recruiting in today's labor market is the shortage of good training material. Much of this is caused by the poor public relations of selling generally. Far too many people believe selling is a racket and salesmen are leeches on our distribution system. One company has been trying to solve this problem by doing a selling job on salesmanship itself. This firm points out the possibilities of large earnings in sales work and emphasizes that selling is a specialized field, providing permanent, lifetime work.

Though lack of interest in a selling job is a major reason why over 90 per cent of the companies studied had to screen considerably more applicants than before to find a suitable salesman, another reason is that sales managers have set up more rigid requirements, based on study and experience. This results in the hiring of better salesmen (and a consequent reduction in turnover)—but at the expense of screening more men and discarding applicants who might have been hired in previous years.

Eight sources for recruiting salesmen, given by the various companies (listed in the order they found most effective), include: newspaper advertising, recommendation of salesmen, promotion from within, educational institutions, personal contacts of sales executives, employment

agencies, unsolicited applications, trade journals and magazines.

Experience of the various companies might be summed up generally as favoring newspaper advertising when a large group of applicants is desired. The group must be carefully screened, however, since a high proportion of those applying will be entirely unsuited. When the classified columns are filled with listings for other types of jobs, it is frequently possible to get a higher return and better qualified applicants by using display ads on the business, financial, or sports pages of the metropolitan papers. However, only 21 per cent of the companies studied are now using display exclusively, while 57 per cent use classified advertising, and 22 per cent use both in various combinations. Those who use display ads believe the additional cost is worth it.

Colleges furnish a recruiting ground for a number of companies. The M & R Dietetic Laboratories, for example, uses college placement offices, whenever possible, as the source of its applicants. The company provides placement directors with a job specification sheet to assist them in preliminary screening, the firm's personnel director takes care of a second screening, and the regional sales manager then screens those thought eligible for further consideration. If the regional sales manager cannot decide between two men, both are brought to the general office (expenses paid) for interviews by sales manager, and executive management, review by personnel director, and final review by regional sales manager. Whenever possible, wives or fiancees are interviewed and "sold." The company feels that though this may be an expensive hiring method, every interview

ing, screening, weighing, judging, and checking device that a company employs before it hires new salesmen reduces turnover costs incurred in separating men not properly qualified after they have been hired and trained.

After the applicant has been hired, the company is faced with a training problem. Most of the companies studied attempt to keep their training programs abreast of improved methods and in tune with current management thinking. In doing so, the sales manager of a midwestern food processor reversed the training program of his company. He writes:

Prior to World War II our district managers hired men and sent them to this office for a three-day training program. They returned to the territory and for a week or two the district

—Dartnell Research Study No. 610 (Dartnell Sales Service, Chicago 40, Ill.).

manager worked with them. Now our procedure is to have the district manager break in the new man. Then he comes in to the office for a rehashing of the details of his operation and for a three-day training program.

Several other companies have adopted this procedure. A big advantage is that cost of training is not incurred until there is tangible evidence that the recruit has other qualifications necessary to make him a salesman for the company. Also, the salesman has acquired field knowledge which enables the training director to get down to specific details more quickly. One disadvantage is that in some lines of business the recruit is unfamiliar with the line or with the technical problems involved, and must acquire a certain amount of preliminary knowledge first.

## THE NIGHT OWLS

EVIDENCE CONTINUES to pile up of a great metamorphosis in U. S. merchandising—the shift to night selling. The change is based on two facts: (1) People have more time to shop after working hours, and (2) the five-day week has changed Saturday, the traditional peak shopping day, into a "stay-at-home" day. Speeding the trend is the fact that the defense program, drawing more and more wives into the labor force, makes it harder for women to shop during the day. The National Retail Dry Goods Assn. reports that in one year, the proportion of leading department and specialty stores open at least one night a week has jumped from 69 per cent to 78 per cent.

Said one Manhattan merchant last week: "The only remarkable thing is that it took stores so long to realize that it was silly to try to do most of their selling during the very hours when most people

couldn't buy because they were working."

Night-selling has brought remarkable changes in U. S. shopping habits. Women used to do most of the buying, frequently returning goods if their husbands disapproved; now whole families shop together. Not only are fewer goods returned, but with husbands along, retailers find more on-the-spot decisions on such "big ticket" items as TV sets, refrigerators, and other heavy appliances. They move far faster at night than during the day, with the result that dollar volume at night frequently tops daytime shopping as much as 25 per cent. Monday is the peak night-shopping day in many cities (34 per cent). Thursday, a big-city favorite (21 per cent), is a close runner-up.

Food stores, particularly supermarkets, were among the first to cash in on night-shopping. Chicago's Super Market Institute, Inc., whose members own 6,048

stores, reports that 27 per cent of them are now open every evening. None of them tops California's Hollywood Ranch Market, which has thrown the key away, employs three shifts to stay open 24 hours every day, including Sunday, and finds its store almost as crowded at 3 a. m. as at 3 p. m.

At first most department stores bucked the trend, none more so than Manhattan's Fifth Avenue stores. They looked down their noses in 1937 when Franklin Simon first experimented with staying open until 9 p. m. Thursday night. What changed their attitude was the loss of business to outlaying shops which stayed open evenings. Today, out of 21 top Fifth Avenue stores, only eight still keep their doors locked every night of the week.

One reason why many merchants dislike night hours is that they boost overhead (overtime pay, supper money, extra shifts, bigger light bills). Richard H. Rich, president of Atlanta's Rich's, terms

the move to expand night shopping "a lamentable trend." But Sears, Roebuck, with three thriving Atlanta stores, stays open two nights a week. Says Sears's Southern Vice President Charles H. Kellstadt: "If you've invested millions in a plant, the more hours you use it the more you can reduce costs." More than any other merchandiser, Sears, by its aggressive selling, has been forcing the pace all over the U. S. In Buffalo, Pittsburgh, Cleveland, Detroit, and Milwaukee, it now stays open three nights a week. In addition, Sears, and many other stores, have a 24-hour telephone order service.

Against the argument, often raised, that employees don't like to work at night, Dallas's Sanger Bros. finds that 15 per cent of its sales force asked for it; the bigger trade brings more in commissions. Furthermore, all merchants like the trend toward family buying. Families are buying items that individual shoppers might decide they could get along without.

—*Time*, January 28, 1952, p. 88:2.

### **The Premium Business Boom**

MORE THAN A BILLION DOLLARS in goods every year are shared among millions of American families free, or at no profit to the distributor. The premium business is big business!

Nearly one-third of all American chinaware and about 15 per cent of kitchen enamelware produced each year go for premiums. The plastics novelty industry also has a big stake in premium production.

Though a company may make a number of premium offers in a year, it does not expect to make money on any of them directly. If it offers a novelty ring for one box top and a dime, the rings, bought in quantities that may run to a million or more, will cost the company less than a dime, but taxes and the handling of mail to and from customers will add to the expense.

Today, companies give premiums to stores and clerks for large orders and sales. One chewing gum company gave away a million electric clocks and pocket knives to retail stores that sent in sufficiently large orders. A few companies collect overdue accounts by offering premiums for payment. New products are also introduced to some stores in "combination" offers—a razor and a tube of shaving cream sold together.

The economic benefits of this practice are reaped by the customers, not only in the form of premiums, but in savings due to prices that remain reasonable because of the larger mass consumption.

—*Popular Economics* (Institute of Economic Affairs, New York University, New York)

## SOME DO'S AND DON'TS FOR CONSUMER CORRESPONDENCE

**I**F EVERY LETTER written to a company contributed an order, each and every one would be handled promptly. But when we look at the daily stack of mail, with the orders removed, it is often hard to realize how important those letters still can be—to the writer and to the business firm receiving them.

At Procter and Gamble, answering in a friendly, personal fashion every one of the thousands of letters received from consumers has been a basic public relations practice for years. Here are some of the do's and don'ts we have established for our correspondents:

*Every letter should be answered*, and the answer should express the company's personality. We want our replies to be warm, friendly, gracious, and conversational. We tell our letter-writers that if they have to choose between being stiff and stilted and being somewhat "gushy" and homey they should certainly choose the latter.

Though it may be necessary to use "pattern letters" and "pattern paragraphs" a great deal, they should be such that the recipient of the letter will not be aware that a form is being used.

*Every letter must be answered promptly*. The consumer wants to feel that as soon as his letter reaches its destination, the entire company operation grinds to a halt while his problem is carefully studied. If he receives a reply promptly, he is already well on the way toward being pacified. But every day he

—WILLIAM G. WERNER. *Public Relations Journal*, December, 1951, p. 7:2.

waits the "wrong" grows in his mind.

We also like to reply immediately to those making suggestions or requesting information. If the letter poses a question that calls for consultation with lawyers or technical people, we are not afraid to write an interim letter, promising a full reply later.

*Assume that everything you say will be shouted from the housetops*. While the tone of the reply must make it clear that the letter is written to the individual, the writer must always be certain that anything said in the letter can stand the clear light of day, whether it falls into the hands of a competitor, is read in a courtroom, or is published on the front page of a newspaper.

*Remember the possibility of legal trouble over suggestions received in the mail*. We require that any new idea or suggestion that is not patented be accompanied by a signed release agreeing that we are to be the sole judges of the value, if any, of the idea and that we are to be under no obligation to accept the idea or pay for it.

It is particularly important that the people answering consumer letters have an ingrained feeling for the personality of the company they are representing. They must be kept informed of all the company's activities, must know a great deal about the company's history and its operation, and must be free to get pertinent information through established channels from all branches of the business.

### ***Customer Quotations That Sell***

WRITING A QUOTATION LETTER at Knapp Mills (lead products) is not left to anyone's imagination. Each quotation letter going out on the company's letterhead, whether from president or sales engineer, must contain information on all these 13 points: (1) date; (2) your inquiry number; (3) our inquiry number; (4) our

quotation number; (5) commodity; (6) conditions, terms; (7) proposal; (8) F.O.B. point; (9) freight data and routing; (10) terms of payment; (11) delivery information; (12) packing charges; (13) special comments.

In one case, a prospect told Knapp that they had been given his order even though the quotation was higher than a competitor's, because the method of delivery specified showed him how thoroughly they had studied his best interests and needs, whereas the competitor failed to mention the delivery at all.

For the record, a separate data folder is kept on each quotation, regardless of the outcome. Every scrap of paper pertaining to the quotation, even if it's only a telephone pad memo containing a few scratch figures, is retained in the folder. One mail inquiry handled in this manner resulted in a file folder more than six inches thick. But it put a \$2 million contract in the firm's till.

—*Sales Management*

## Also Recommended • • •

**U. S. MOVES WEST AND TO THE SUBURBS.** *Business Week* (330 West 42 Street, New York 36, N. Y.), December 22, 1952. The major population shifts as reported in this article, on the basis of facts revealed by the 1950 Census, show a continued westward trend and a marked acceleration of the movement to the suburbs, with suburban population increasing 37 per cent over 1940. Despite the fact that the Far West was far ahead, with a population increase of 49 per cent, those regions growing more slowly—the Central and Middle East states—account for close to 54 per cent of the nation's retail sales.

**TV—HOW MUCH SALES PUNCH?** By Robert W. McFadyen. *Commerce* (1 North LaSalle Street, Chicago, Ill.), February, 1952. Is television the most powerful advertising medium of all time? Is TV advertising tremendously costly, or, on the basis of results, relatively inexpensive? This article, digested from an address by the manager of NBC-TV sales planning and research, reviews the findings of a "television-effectiveness" survey in the metropolitan New York area which present a powerful argument for TV.

**POLICIES AND ARITHMETIC OF BRUNSWICK'S PAY PLAN.** By M. M. Komen. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), December 1, 1951. The author describes in detail a compensation plan which achieves the following objectives: salesmen's security, incentive, company control of salesmen's activities, control of salesmen's expenses, flexibility, and cooperation among salesmen. This plan makes it possible to compensate salesmen fairly when territory potentials range from \$50,000 to \$710,000 without leaving the company wide open on windfalls or penalizing the man whose superior salesmanship brings in deserved volume.

**HOW TO INTERVIEW A SALES APPLICANT.** By Jack H. McQuaig. (J. H. McQuaig & Co., Industrial Psychologists, 1200 Niagara Street, Buffalo 13, N. Y.). Reprints available gratis. The author cautions against the brief "sizing-up" appraisals made in short interviews, in which appearance and congeniality rather than sales ability are given primary consideration. He suggests, instead, the use of the clinical interview, which consists of reviewing a man's history in some detail, with the reasons why he did things in the past and his attitudes toward them. A list of suggestions is included which should be of value to those who wish to attempt this type of appraisal.

**TEN STEPS TO PLANNING A MARKET RESEARCH DEPARTMENT.** By William A. Marsteller. *Industrial Marketing* (200 East Illinois Street, Chicago 11, Ill.), December, 1951. The author has polled 15 market research specialists on how a company can determine whether it needs and can afford a marketing research department, and on the basis of their replies, presents a practical and concrete procedure for setting up such a department. The one project which most marketing men believe is an excellent starting point is a complete analysis of internal sales records and a general review of existing problems.

**HELP OTHERS TO HELP YOU SELL.** *Modern Industry* (400 Madison Avenue, New York 17, N. Y.), December 15, 1951. To maintain sales volume and find new markets today, suppliers of materials, parts, and equipment are doing pre-selling jobs for their customers. This article describes the campaigns (both advertising and educational) used by various manufacturers to pre-sell the ultimate consumer and thereby put merchandising ammunition in the hands of their own customers.

## Packaging

### STATISTICAL CONTROL FOR PACKAGING— FORMULA FOR QUALITY

THE ULTIMATE goal of every company doing packaging is to provide finished packages of a quality acceptable to the consumer at costs permitting a reasonable profit. In today's mechanized production, such quality cannot be merely inspected into a package. It must be built into its fabrication, step by step. One of the most effective tools for doing this is the application of statistical quality control.

Statistical quality control is based on the theory that some variation is normal in any process. The first job is to determine by the massing of considerable data, through continued trial and retrial, how much normal variation from the desired standard can be expected under the best operating conditions. If a series of samples taken under representative operating conditions and selected by established mathematical rules of sampling falls within the control limits, it may be assumed that the packaging material, filling or sealing operation under study is giving performance up to specification.

If too many samples inspected within a given interval or from a selected number of lots are charted beyond the control limits, there are variations that demand attention. Too many samples below the control limits usually indicate trouble. Too many giving better performance than specified limits usually indicate that some phase of the process needs more study, with the purpose either of effecting savings by relaxing the specification or of using such data to obtain improved quality or faster production. Many firms today have been able to avoid excessive price

increases by such statistical control of the packaging process.

For example, a wasteful practice in many packaging operations is overfill. To avoid the pitfall of underfilling below the content stated on the label, the tendency too often is deliberately to overfill. By statistical sampling and charting of data leading to adjustment of filling machines, some firms have reported reductions in average overfill from as much as 15 per cent to a fraction of 1 per cent. Such tremendous savings, pointed up in dollars, need no justification to management.

One of the greatest benefits of packaging quality control through statistical methods is its effect in reaching out to the suppliers themselves. Though some of the large suppliers of paper, cartons, flexible films, and containers now maintain the most complete statistical-control systems of their own and send with each lot a complete report of its characteristics as measured by their methods, a few suppliers, unfortunately—and this is true particularly in times of shortages when it is a question of "take this or nothing"—are not so particular. Users of packaging supplies who have adopted statistical quality control say it has performed a great service in making it easier for suppliers to locate trouble and correct it in order to meet specifications.

The important point for every packager to realize is the increasing application of scientific statistical-control methods to insure a superior package. In one company selling more than \$100,000,000 worth of packaged products, uniformly packaged in

nine separate plants throughout the country, a one-room laboratory and a staff of only a few people are all that are required to administer statistical quality

control—a very small outlay, indeed, for the part such a department plays in building a finished quality package that makes the consumer come back for more.

—*Modern Packaging*, Volume 25, No. 2, p. 65:7.

## HOW TO IMPROVE INDUSTRIAL PACKAGING

**L**OVING CARE is lavished on the packages containing consumer goods. But the package which takes an industrial product to market has been, until recently, a barrel or a plain wood or paper box, sturdy but without sales appeal, and often inconvenient to handle.

During the past year there has been considerable progress in the development of convenient and economical packaging for products sold by industrial distributors. Unfortunately, far too few manufacturers are making use of these advanced packages. If you are still shipping your products in packages designed solely for your convenience, without thought of the materials-handling, stocking, and re-shipping needs of your distributors and ultimate industrial user, these points should help you evaluate and improve your current practices:

**Decimal Packaging.** You should study current buying practices of industrial users with a view to packaging your products so they can be sold profitably in the original package as a separate unit of sale. For that reason, decimal packaging and pricing (in multiples of 10 or in units of 5, 10, 25, 50, 100, etc.) is highly desirable.

**Size of Package.** If you'll review your present packaging habits from the standpoint of the unit of purchase; distributors' convenience in handling, storage, and display; and ease of handling and use by the consumer, you will be able to tell whether the size of your package needs to be changed.

One manufacturer, who formerly shipped his products in bulk, in barrels or kegs often weighing from 300 to 500 pounds, reports that he has now standardized all shipments to distributors by using cartons, steel-strapped, with only one size and type of product to a carton and with the contents clearly noted on the end of the package. These cartons are 15" x 10", and shipping weight varies between 40 and 85 pounds. The distributor is therefore able to put them on his shelves without unpacking, and, because the item and quantity are clearly marked, the stock clerk can tell at a glance what he has on hand.

**Protecting the Product.** The package for industrial supplies should be sturdy and tight enough to protect the product against damage, breakage, leakage, or corrosion. Improvements made in packaging supplies and parts for the armed forces have resulted in rendering sensitive metal products immune to moisture, heat, and sand. Some of these rustproof packages, made of pliable and moisture-proof film and sealed by heat, can indefinitely insure bearings and precision parts against corrosion while these are in distributors' warehouses.

**Labeling for Convenience.** Proper labeling is of particular importance from the standpoint of convenience. These should be the criteria: Can you read the sizes easily? Does the label give the quantity? Is your catalog or stock num-

ber on the label to assist reordering? Does the brand name show clearly?

Also remember that your package should bear a family resemblance to those of your other products to help establish trademark recognition among distributors and users. You can make good use of the tops and sides of your boxes for sales promotion.

**Kit Packaging.** There are many kinds of tools and materials which can be assembled and packaged in kits to save the time and trouble involved in buying them separately. Plant maintenance men and mechanics might appreciate kits of wheels, axles, casters, and other components, plus plans and directions for making trucks, dollies, mobile units, etc.

—LOUIS H. BRENDL. *Sales Management*, December 1, 1951, p. 96:4.

**Ingenious Packages.** Some creditable and imaginative packages have been created with the distributor's convenience in mind. An adaptation of the "batch package," for example, puts the correct number of parts or screws for a certain unit assembly into a transparent envelope which protects the material, avoids delays, and discourages "leave-outs."

The miscible package, a bag or capsule made of a material which dissolves or disappears in the mix into which it is thrown, is particularly ingenious. This soluble bag or envelope is usually shipped in a protective, outer multiwall bag or corrugated cardboard carton, which is disposed of in the conventional way.

### **Eliminating Waste in Package Design and Production**

PACKAGING MATERIALS will be tight, the National Production Authority points out. But even if you get the materials you need, you'll want to take advantage of these ideas for eliminating waste in package design and production.

#### **In Package Design**

1. Simplify the package. Avoid unusual sizes, use of hard-to-get printing inks, special gauges, etc.
2. Choose the package shape that requires the least material—and particularly one that uses the most plentiful material for the largest area.
3. Reduce overlaps to the barest minimum. Place carton flaps at the small end. Use prefabricated packages (including bags) in place of wrappings, since wrappings generally use more material.
4. Check product design. See if a slight change in product shape, or use of a small package liner, will make it possible to pack two different items in the same type of container. Explore possibilities of shipping products disassembled—whether they're sledgehammers or sofas. They'll take up less space, require less packaging material.

#### **In Production**

1. Prepare written instructions for operating packaging machinery to reduce the chance of damage to materials through improper use of equipment.
2. Make sure that packaging machinery is kept in top condition. Breakdowns almost always waste material.
3. Spotlight "stop" switches of automatic machines with color or signs so they can be shut down immediately if they should begin to damage packages.
4. Try to eliminate the need for packaging intraplant shipments by devising special racks and special palletizing methods.

—*Modern Industry* 12/15/51

### THE EFFECT OF TAXES ON BUSINESS PLANNING

OUR ultimate objective as business managers is to obtain the maximum amount of net income from our businesses both *before* and *after* taxes. The former is a prerequisite of the latter and deserves our primary consideration, but the latter—net income after taxes—is the amount from which dividends are paid, through which expansion is primarily accomplished, and by which the abilities of management are measured and judged.

Tax-consciousness on the part of alert business management can help increase both these figures. Such management can minimize corporate income taxes by maximum utilization of deductions and credits; can apply tax knowledge to increase income before taxes; and can, through its understanding of the tax laws, aid the stock-poor stockholder.

Now, rather than in lower-rate years, is the time to take maximum deductions from legitimate expenditures. For example, during an excess-profits tax year, liquidation of an unprofitable subsidiary, financed over the years primarily by advances from the parent company, will give the latter a maximum tax benefit from the bad debt deduction.

Also, the possibility of stepping up depreciation because of normal obsolescence of plant and equipment should be examined. The physical life of a machine alone does not determine its normal rate of depreciation. Rather, it is on the basis of the anticipated economic useful life of the machine that the investment should be recovered. In the full-fashioned hosiery industry, for example, the trend over the past 30 years has been toward higher-gauge stockings. Each step in the

trend contributed to the obsolescence of lower-gauge knitting machines. Thus, despite their physically useful life of 25 or 30 years, such machines are permitted to be depreciated over a 15-year period because of the obsolescence factor. Obsolescence, either normal or extraordinary, can be established only by careful periodic surveys of plant and equipment in the light of technological advances, and must be made by accounting and engineering personnel.

The prudent investment of funds in sources of nontaxable income is also important during high-rate years. For example, a steel company using large quantities of iron and coal should consider investing in coal- and iron-mining facilities. The deduction for percentage depletion renders up to 50 per cent of their net income effectually tax-free. The possibility of investing in depletable resources is not confined to iron and coal. There are over 25 types of exhaustible resources which qualify for depletion.

There is little that management can do to minimize excess profits tax liability except to examine carefully the possible application of all provisions of the excess profits tax act to make certain that the most advantageous adjustments, elections, options, credits, and alternatives are being used.

Also, ordinary prospective transactions should not be consummated without a consideration of the excess-profits tax effect. If there are two ways of closing a legitimate business transaction, it would be foolish to adopt the costlier one tax-wise. For example, if new capital is required, it is generally advantageous, tax-

wise, to issue indebtedness rather than stock because the interest on the former is deductible for income tax and (to a lesser extent) excess-profits tax purposes.

Regardless of the extent of profits or surplus accumulated by the corporation, the stockholder ordinarily cannot cash in on them without paying income taxes at high rates. Frequently, the stockholder, particularly of a closely-held corporation, is stock-poor. He needs cash—retainable cash. Any legitimate opportunity of satisfying his need within the bounds of the tax law should be considered by alert management.

It is entirely possible that some corporations may be in a position to make non-taxable cash distributions to their stockholders. Such distributions are extremely desirable from the stockholder's viewpoint since they represent a return of capital to him rather than ordinary dividend in-

come. As such, the distribution is taxable (and then at capital gains rates) only to the extent that it exceeds the basis of his stock.

The taxability or nontaxability of corporate distributions depends upon whether there are available: (1) sufficient earnings or profits in the year of payment or (2) accumulated earnings or profits (i.e., "tax surplus") at the beginning of the year. Thus, if a corporation has current earnings or profits of, say, \$50,000 in 1951, but has a deficit in accumulated earnings or profits on December 31, 1950, any amount in excess of \$50,000 paid as dividends during 1951 would constitute a return of capital to the shareholders. Should the corporation sustain an unusual loss from a bad debt or from the sale of capital assets or depreciable assets sufficient to wipe out completely its 1951 income, all the 1951 dividends would be nontaxable.

—JAMES J. MAHON, JR. *Proceedings, Thirty-Second International Cost Conference.*  
National Association of Cost Accountants (505 Park Avenue, New York 22,  
N. Y.), 1951. 170 pages. \$3.00. (NACA members, \$2.00).

### Got a Nickel?

NO WONDER small change is so scarce and there's not enough for phones, parking meters, vending machines, and retail stores. There is only a little over \$10 worth of coins for each person in the United States today, or the same amount as there was per capita in 1900. Meanwhile the amount of paper or "folding money" in circulation per capita has increased from \$17 in 1900 to \$170 in 1951, according to the Northwestern National Life Insurance Co.

Historically wars have ballooned the money supply. World War II made the greatest increase. Total paper money and coin quadrupled, from \$7 billion in 1939 to nearly \$29 billion by the end of 1946. Over \$21 billion in new paper money was printed and issued in this period. However, total "hard" money, or coin, is up just a billion over pre-war—from \$590 million in 1939 to \$1,590 million as of July 31, 1951; total money in circulation on that date was close to \$28 billion.

Though banks substitute more and more for paper money, the need for coins has multiplied. New vending machines, parking meters, and pay telephones eat coins by the carload, and hold them out of circulation 10 to 12 days at a time.

—*The Spectator* 11/51

OVER-ALL, a dollar change in profits, after taxes, of corporations in the United States has made about 25 cents change in the dividends paid to stockholders, according to a recent Twentieth Century Fund report.

## GETTING ACCOUNTING OUT OF ITS STRAIT JACKET

THE ADEQUACY of accounting operations plays a major part in the determination of a company's or an industry's success. Accounting should therefore do more than "record historically, subject to law and to a set of principles, the economic events that take place during the business life of an enterprise." Operating management needs from the accountant operating and control reports which not only record what happened in revenues, expenses, costs, and earnings, but classify what happened according to functional areas of responsibility; evaluate performance; and present the reasons behind that performance.

An essential requirement of accounting reports for the operating man is that they be functional—that they be truly responsibility reports. The operating man needs reports which break down company performance according both to major executive functional areas of responsibility and to individual departments or groups which are being held accountable in the control process for costs or performance in specific areas. Accounting control reports cannot do this unless they relate performance to the company organization chart rather than to the uniform classification of accounts. This is far too rarely done.

In addition to classifying information according to responsibility, an accounting report must *interpret* and *explain* the performance it records and classifies. Only by doing so does it acquire true significance to operating management. Do your routine reports tell how good or bad the performance under review was? Furthermore, since performance should be evaluated in terms of a set of acceptable standards, does your firm have adequate standards to work with?

Every company has one measuring rod

—corresponding results for prior periods. This is the most widely used single standard, and a fairly good one when employed in conjunction with others. But it alone won't suffice, since it does not allow for variables of time and circumstance. The budget forecast or estimate has been designed to meet this objection. If it employs the same units as are used for control, and if it is frequently revised to keep it in line with changing economic conditions, the budget or planning forecast can be an effective tool for comparing actual achievements with near-term predictions.

Yet many companies do not even have budgets; others virtually destroy the control value of their budgets by failing to relate them closely to individual responsibilities. And most budgets have practical limitations as instruments of control, since they are usually subjectively determined by the very individuals for whom they serve as a standard of achievement.

More objective standards of potential performance—namely, engineered standards based on time and motion studies—are urgently needed. Certainly no service business, in which labor is a prime cost, can afford to forego the application of a costing and measurement technique designed around labor efficiency. Yet how many companies are now using engineered standard costs as tools in the control process?

Finally, the accountant can be helpful to the operating management by attempting to explain results. Why was a particular level of performance attained, rather than a higher—or lower—one?

To arrive at this answer, the accountant must exercise genuine skill in human relations. He must be able to sit down with operating people and analyze performance in terms of causative factors.

This requires a basic familiarity with the operation involved, as well as a cooperative spirit and an ability to interpret the results of his work in non-technical language.

If accounting is to be a fully effective aid to operating management, it will need many more accountants of top-flight management capacity and potential. The people now in our accounting departments will have to be assisted to reach their highest level of competence through com-

pany executive development programs, which should include rotation of assignment, and participation in community, industry, and professional activities. At the same time, to augment present staffs, firms will have to employ hard-hitting recruiting and selection systems, which will enable them to attract high-potential young people, and cooperate actively with educators to improve the quality and expand the scope of undergraduate accounting education.

—E. L. LINDSETH. *The Controller*, Vol. XIV, No. 9, p. 405:3.

## HOW PRODUCTION PEOPLE FEEL ABOUT BUDGETS

**B**UDGETS, which are being used more and more as management tools for increasing in-plant production and keeping manufacturing costs in line, tend to defeat their own purpose unless the human relations problems aroused by their use are solved. This warning is sounded in a report of an exploratory study on human factors in budgets, issued recently by Controllership Foundation, Inc.\*

Important differences exist between factory personnel and the "figure men" whose job it is to set up and police the budget, the report points out, and many human relations problems stem from this conflict in attitudes. In addition to not "speaking each other's language," the two sides disagree on the value and the purpose of the budget.

In the minds of budget people, budgets are a means of improving performance, by whose use inconsistencies, errors, and weaknesses are constantly being discovered, examined, and reported to top management. In addition, the financial people say, budgets motivate production

people by giving them a goal to shoot at.

In contrast, foremen regard budgets as symbols—symbols of something which may arouse fear, resentment, hostility, and aggression on the part of the employees toward the company, leading in turn to decreased production. As one supervisor complained: "I'm violently against the figures. I keep away from showing them to the workers. I know my boys are doing a good job: they're trying their best. If I give them the heat with this budget stuff they'll blow their top."

One reason for such attitudes, the researchers found, is that budget comparisons show that a department is "off," but do not reveal the reasons why. "The budget boys think things are simple—just add up the figures," one supervisor is quoted as declaring. "But factory knows all the things that could easily affect them. There are so darn many extenuating circumstances about each budget—but the budget people don't see these circumstances. Of course, we hardly tell them, because we often have to do a little monkey business to come out right."

Another criticism factory people expressed was a feeling that the men who

\* *The Impact of Budgets on People*, Controllership Foundation, Inc., 1 East 42 Street, New York, N. Y. \$3.00 (\$1.50 to Controllers Institute members).

set the budget are never satisfied: "They make a budget and then constantly increase it. Pretty soon the boys catch on and figure it's the same old stuff."

Foremen also resent the fact that deviations, once discovered, are taken "over their heads" to top management, partly because it may be a violation of policy for a staff man to go directly to a line man, and partly because success for the budget man consists of discovering weaknesses in the factory. As a result, the foreman not only experiences the negative feelings of being wrong but also is aware that his superiors know it.

When asked for suggestions on how to correct such situations, budget people thought that factory people should be educated in the appreciation and use of budgets, while the supervisors said that finance people should learn the other person's point of view and should shed their belief that the best way to raise production is through pressure.

One basic way to overcome the problem is to obtain true participation of the factory supervisors in the actual making up of the budget, as opposed to pseudo-participation—which results when the foremen are confronted with a budget that is already set, and are required to sign it after nominal "discussion." An

even better way is to let the supervisors in on the preliminary stages, too, and to put this participation on a group basis.

Human relations training for the budget people, to make them better able to win acceptance and cooperation from the factory personnel is also advisable. Training given to the finance people on the job should show them the effects of pressure upon people, and should include discussions about the effects of success and failure. They should be taught how budgets can make supervisors unduly "department-centered," and that this tendency is a defense on the part of the supervisors rather than "narrow-mindedness," as some finance people believe.

Finally, budget people should be instructed in the basic content of human relations as a field of study. This includes the concepts of informal and formal organizations, industrial organizations as social systems, status system in industrial organizations, and such subjects as interviewing, counseling, and leadership. Consideration of these subjects should help the financial staff become more aware of the human problems existing in organizations, as well as those which specifically arise out of the use of budgets as a means of cost control and motivation.

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HIDDEN FEDERAL TAXES are devouring much more of earnings than the income tax is, and total taxes—federal, state, and local—take over 30 per cent of a \$3,500 income and 77 per cent of incomes over \$20,000, leaving the latter only 23 cents of each dollar earned.

—*Economic Intelligence* (U. S. Chamber of Commerce)

#### AMA "BRIEFING SESSION" ON CONTRACT RENEGOTIATION

*In cooperation with the Renegotiation Board, the American Management Association will hold a special "briefing session" on the problems of contract renegotiation on May 8, at The Hotel Astor, New York.*

## Financial Well-Being After 65

THREE out of five "spending units" headed by a person 65 years of age or over had assets valued at \$5,000 or more in early 1950, according to the Conference Board. Moreover, there is relatively little indebtedness among older consumers. Only about one-fifth reported liabilities of any size, and only 4 per cent had liabilities in excess of \$5,000.

Net worth, it is pointed out, tends to be largest in late middle age, just before retirement, and average net worth remains relatively large for the group already aged. In fact, one out of seven had net worth of \$25,000 or more, the highest proportion of spending units in any age category.

Equity in a home accounted for a good proportion of the net worth of the aged. Liquid assets, on the other hand, probably accounted for a small proportion.

The major sources of income for older persons today may be grouped into four main categories: (1) earnings from employment (for four million persons 65 years old and over); (2) return from individual accumulations of assets; (3) benefit payments from programs (public and private, but particularly the Federal Old Age and Survivors' Insurance program) based on past employment or service; and (4) assistance from public agencies, private charities, friends, or relatives.

Income and expenditure patterns of older persons are somewhat different from those of other age groups, it is noted. A larger inventory of furniture and equipment and more sedentary pursuits reduce their consumption needs below those of younger persons. At the same time, greater reliance upon income in kind and the liquidation of assets decrease their dependence upon current money income.

Appraisal of the financial well-being of older persons in terms of average requirements and of the command of their current income over these requirements is thus faulty and may result in an unnecessarily dim view.

## Oikonomia

CONSIDER the word "economics." It is made up of two Greek words. The first word is *oikos*, which means house. The second word is *nomos*, which means management. The Greek combination is *Oikonomia*, which means management of the house.

An economy is the management of all the houses. If it's well managed it's a good economy. If poorly managed it isn't. And when we speak of all the houses that doesn't mean just the business houses. That means government's house. That means labor's house. That means Mr. John Public's house. That means your house!

—JULIEN EFFELENBEIN in *The Clarkson Letter* 2/3/52

## Corporate Reports Being Improved, Survey Shows

THERE IS A STEADY IMPROVEMENT in corporate reports to stockholders, the fifth annual survey of 525 corporate annual reports, made by the American Institute of Accountants, reveals. More detailed information about business operations and financial position is being provided, and the form of financial statements and terminology are being improved to make reports more intelligible to the average stockholder.

Management is clearly accepting a greater accountability to ownership. The increase in the number of supplemental schedules giving comparative figures for prior years is noticeable. Summaries of operations, charts and graphs and explanatory comments on unusual transactions are more frequent.

Among improvements in terminology are the substitution of such phrases as "retained earnings" for the word "surplus," the use of which is steadily declining

in annual reports. A number of companies also are discontinuing use of the term "reserve" to describe deductions from assets or provisions for future liabilities.

Another trend worth noting is the increasing use of LIFO in determining inventory costs. In 1950, 136 of the 525 companies used this method compared with the 98 companies using the method in 1949.

—*The Journal of Accountancy* 2/52

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COSH YOU CAN'T. It's a good thing the Yorkshiremen don't have to worry about the U. S. national debt—and that we never adopted Cosh (an ancient numerical system still used by Yorkshire shepherds). Imagine trying to tally the debt with these designations—for example, 1 to 10: een, teen, tethera, pethera, pimp, sethera, lethera, hovera, covera, and dick.

—*Tax Outlook* 1/52

## Also Recommended • • •

**EMPLOYEE FRAUDS (WITH EXAMPLES).** By Campbell W. Leach. *The Internal Auditor* (39 Atlantic Street, Stamford, Conn.), March, 1952. Before the internal auditor can satisfy himself that the system of internal check is functioning properly and that his company's funds are being properly safeguarded, he must know the more common ways of committing and concealing employee frauds. The author describes the usual methods for concealing cash thefts and cites specific examples to illustrate his points.

**QUALITY VERSUS PRICE AS FACTORS INFLUENCING COMMON STOCK PRICE FLUCTUATIONS.** By John C. Clendenin. *The Journal of Finance* (5750 Ellis Avenue, Chicago 37, Ill.), December, 1951. The author shows that contrary to a widely-held opinion, the percentage price fluctuations in most low-priced stocks are about the same as those in high-priced stocks of the same quality. The price instability which characterizes so many low-priced stocks should be attributed to their speculative quality, not to the fact that they are low-priced, the author concludes.

**BUT IT'S NOT EASY TO GIVE MONEY AWAY.** *Business Week* (330 West 42 Street, New York 36, N. Y.), January 12, 1952. A representative group of management men in all parts of the country were asked to discuss how the problem of corporate donations was being handled and to comment on Beardsley Ruml's suggestion that industry give away 5 per cent of its profits before taxes. This report indicates that only a small minority of companies donate close to the 5 per cent limit deductible

before taxes. Attention is called to the fact that cheap money donations can boomerang if losses in later years are carried back to offset present comfortable profits; some companies might find they have been giving away 100-cent dollars to charity when they thought they were giving away 18-cent dollars.

**A PROGRAM FOR EFFECTIVE INTERNAL CONTROL.** By Victor Z. Brink. *The Internal Auditor* (39 Atlantic Street, Stamford, Conn.), March, 1952. This article describes how Ford met the problem of establishing good internal control (defined here as the over-all efficiency of the financial department) when its operating responsibilities were suddenly decentralized. The author places particular emphasis on the point that the development and maintenance of an adequate system of internal control is the combined responsibility of the general management group, the accounting and financial personnel, the internal auditing staff, and the independent public accountants.

**PREPARING TO REPORT FOR RENEgotiation.** By Garrett E. Kaufman. *N.A.C.A. Bulletin* (505 Park Avenue, New York 22, N. Y.), January, 1952. A review of the provisions of the Renegotiation Act of 1951 and a discussion of the principal forms to be filled out under it—especially those portions calling for determination of renegotiable sales, financial statements, and cost allocation bases—are contained in this paper, which cites procedures adopted in the author's company. Emphasis is given to the presentation of information on the six "statutory factors" recognized by the renegotiation authorities in deciding whether or not excessive profits are present.

## Insurance Management

### COST OF LIVING UP—CASUALTY RATES DOWN

THOUGH PLAGUED by higher costs like other businesses, capital stock insurance companies have been writing a large part of casualty coverage below or close to the rates prevailing before World War II. At the close of 1951, country-wide average rates for six major lines of coverage written by capital stock companies were up an average of only 13 per cent above the prewar—1935-39 average—level. Consumers' prices for goods and services, on the other hand, soared upward 89 per cent during the same period and still show no signs of coming down!

Here, specifically, is what has happened to rates for various lines of casualty coverage during the period from 1939 to the end of 1951.

*Workmen's Compensation.* On the average, workmen's compensation insurance rates, for all the states where private insurance carriers write this coverage, were reduced the equivalent of 39 per cent below the prewar level on the basis of the same benefits to workers then prevailing. However, benefits payable by insurance companies to workers covered by compensation insurance were approximately 30 per cent higher than before the war, and even after taking these increased benefits into consideration, the rates paid by business and industry still averaged 20 per cent below the prewar level. These reductions are attributable to two major factors: one, a very marked decline in the industrial injury frequency and severity rates, and two, higher payrolls.

The future course of workmen's compensation insurance rates depends upon whether the rising costs of increased bene-

fits legislated by the states, medical payments, and other expense factors will outpace the rate gains achieved through increased payrolls and reduced injury frequency and severity rates.

*General Liability.* Rates for general liability insurance rose an average of 9 per cent, with some coverages in this line priced below and others above the prewar level.

Manufacturers' and contractors' liability insurance, which is written on the basis of \$100 of payroll, showed a rate decline below the prewar level, and product liability insurance, where the rates generally apply per \$1,000 of sales or receipts, also showed a downward trend.

However, inflation — higher hospital costs, medical expenses, jury awards, for instance—has been an important factor tending to increase claim costs under all general liability coverages.

*Burglary, Theft, and Robbery.* Burglary, theft, and robbery insurance losses seem to bear a marked relationship to the level of employment and national prosperity. It appears that when business and industrial activity steps up to a high level and increases employment and employment opportunities, there is a decline in burglaries, thefts, and robberies, and rates for insurance against these risks decline accordingly.

During World War II, when the national industrial machine moved into high gear, the crime rate declined and burglary rates were reduced, too, dropping finally in 1945 to a point almost 15 per cent below the prewar level.

But with the end of the war, the crime rate started to climb again. Robbery,

burglary, and theft increased, and insurance rates had to rise accordingly. Nevertheless, at the close of 1951, the country-wide average rates were still 2 per cent below the prewar levels.

**Boiler and Machinery.** The 13 per cent increase in boiler and machinery insurance rates over the prewar level is attributable to a number of factors, including inflation. For one thing, inspection costs take a large part of the insurance companies' premium income, and these have increased; wages, meals,

hotel, fares, and other travel expenses of inspectors are up substantially.

Also, the trend in recent years has been to develop large, complex single industrial units, with the result that when a unit breaks down the shutdown is more extensive than would be the case were several smaller units involved.

Finally, higher labor and material costs have tended to increase the amount of extra expense paid under a policy for repair work—frequently involving overtime pay schedules—in order to prevent business stoppage or reduce its duration.

—WILLIAM LESLIE (General Manager, National Bureau of Casualty Indemnities).  
*The Casualty and Surety Journal*, March, 1952, p. 1:8.

### New Rate Plan for Protected Industrial Risks

A NEW RATING PLAN, offering vastly broadened coverage for highly protected manufacturing risks, was presented recently by the North Carolina Fire Insurance Rating Bureau in behalf of the Factory Insurance Association. It was promised that this plan will be introduced soon in 25 other states and eventually in all states.

In one package, the new plan offers fire, extended coverage, riot, civil common, vandalism, and explosion protection. Some additions to the old policy include:

An increase from \$1,000,000 to \$5,000,000 in the limit on coverage of the reporting endorsement; builders risk business interruption coverage; extension of the rating plan to include manufacturing risks not otherwise classified, cotton stored in mill yards and pulpwood stored in connection with paper mills; coverage against loss of use and occupancy; selling agent's protection against loss of commissions; coverage against explosion of vessels or moving or rotating machinery; coverage against extra expense; a molten steel and glass clause included within the form instead of as an endorsement; an agreed amount clause under the gross earnings form for business interruption coverage.

The new policy also eliminates a previous requirement for full roof anchorage, reduces another requirement to "fire protection equipment" instead of "approved automatic sprinklers," and calls for outside protection only "where needed." The exclusion rule is liberalized to provide for exclusion of specified perils as well as specified risks. And a pro rata rule is inserted for figuring refunds.

The proposal would permit resident agents to countersign a master policy for multiple location risks involving more than one state. The plan would also allow a rating manager to approve a package form for multiple locations where some of the locations failed to qualify for the special rate. Under this arrangement, two rates would be charged, the normal rate for the locations which did not qualify and the special rate for those that did.

—*Journal of Commerce* 3/27/52

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COMPETENT AUTHORITIES estimate that one car out of every 25 driven in this country will be involved in an accident during the year.

—*Insurance Buyers' Digest* Vol. XI-2

## UNION-NEGOTIATED PENSION PLANS: TRENDS AND PRACTICES

THE NUMBER OF employees presently covered by private pension plans is estimated to range from 10 to 15 million. Some authorities predict that, on the assumption of almost universal coverage of firms with 50 or more employees, the reserves under private pension plans, which are now being accumulated at the rate of 1½ to 2 billion dollars a year, will eventually approach the present size of the national debt.

Unions have played an important role in enlarging the scope of these plans. With respect to coverage, unions have negotiated three types of plans, namely: company-wide, area-wide, and industry-wide.

**Company-Wide Plans.** Usually the union representing the majority of a company's employees has taken the lead in negotiating pension plans. However, if there are a large number of unions involved, a joint committee may be appointed to work out a pension demand that will be acceptable to all the unions.

The majority of the newer company-wide plans appear to be financed on a non-contributory basis.

**Area-Wide Plans.** These plans are usually confined to the employers in a given community whose employees belong to the same union. Each member employer contributes to a central fund on a uniform basis. This arrangement permits an employee to change jobs among member companies without losing his accrued pension benefits.

**Industry-Wide Plans.** Industry-wide plans are similar to area-wide plans except for the fact that they operate on a national scale. Under these plans, employers (and sometimes employees also) make contributions to a central fund on a uniform basis.

Some characteristics of negotiated plans are the following:

**Eligibility Requirements.** In most industry or area-wide plans, and also in plans negotiated with individual employers, there is seldom a waiting period for participation. However, employees must meet certain requirements at retirement age to qualify for a pension.

**Benefit Formulas.** The benefit may be a flat amount, or it may be geared to earnings and service and also contain a flat minimum amount, as in the so-called Bethlehem formula.

There are some indications that the flat benefit in negotiated plans may be used more and more as a minimum benefit, and that additional benefits will be requested based on service and/or earnings.

**Vesting.** When pension benefits became subject to collective bargaining, new impetus was given to the following two propositions: (1) that failure to vest employer's contributions in an employee who terminates employment tends to restrict the mobility of labor; and (2) that employer contributions to a pension plan are deferred wages. Pressure for area-wide pension plans may encourage individual employers to give more consideration to the vesting of accrued pension benefits when an employee terminates employment.

**Level of Pension Benefits.** Both employers and unions appear to agree that, to be effective, a pension benefit should bear a reasonable relationship to the earnings received by an employee during his last few years prior to retirement.

Two methods are generally used to compute the benefit. Under one method, the "career average plan," an employee may receive as a pension 1½ per cent

of each year's pay for each year of service at retirement. Under the second, 1½ per cent of the employee's average pay during the last five or 10 years of employment is multiplied by his years of credited service at retirement to determine his pension.

**Employee Contributions.** The great majority of the negotiated plans are non-contributory. In many instances, these plans have been accepted by union leaders and their members in lieu of a wage increase. Another major reason for the adoption of so many non-contributory pension plans is the fact that the employer's contributions to a pension plan are not taxable either to the employer or employee (until they are received by the employee), while employees' contributions are made from taxable pay.

**Retirement Age.** Currently many unions appear to be opposed to a fixed retirement age. They contend that an individual should be permitted to choose

between retirement and remaining on the payroll past his normal retirement date. However, some of the negotiated plans do have a mandatory retirement age, though it may be above the age of 65. Other unions advocate a sliding scale on retirement ages.

In summary, the following might be considered the major trends in pension plans today. First, there may very well be a gradual spreading of area-wide and perhaps even industry-wide pension plans. Second, primarily because of these plans, there is likely to be a greater interest shown in vested benefits. Third, the trend is probably toward shorter waiting periods for participation in those companies having such a requirement. Fourth, pension plans are likely to spread to smaller organizations. Fifth, pressure will continue for higher and higher pension benefits, and the cost of pension plans is likely to move in only one direction—upward.

—J. V. STRONG. *Trusts and Estates*, March, 1952, p. 198:3.

## NEW-STYLE INSURANCE POLICY—NO LEGAL YAK-YAK!

THE ALLSTATE INSURANCE CO., Chicago, founded by Sears, Roebuck & Co., recently took the bull elk by the antlers and decided to sweep out a lot of the yak-yak found in a typical automobile insurance policy. The result was a simplified policy, written in plain American and 41 per cent shorter in wordage than the old standard policy.

Until recently policyholders had been puzzled and confused by the "hidden mysteries" and the "fine print" in the average policy. Allstate's Streamlined Illustrator policy was designed to bring insurance out into the open, humanize it, substitute down-to-earth English for the

"where-ases and wherefores," and highlight the meaning of each important provision by using a graphic illustration with a brief, clear-cut caption.

The insurance industry has long realized that most customers regard insurance as mysterious and almost incomprehensible, and leading companies have long been aware that insurance should be made more understandable. Allstate reasoned that the logical starting point was with the policy itself, and their new policy is designed to overcome an objection as old as the industry: "I can't make any sense out of my policy."

Allstate's parent, Sears, Roebuck & Co.,

as a result of generations of mail-order and catalog selling, has learned certain secrets about how to get the name on the dotted line or the check. Chief among these are (1) a picture; (2) a description of the item, quickly told in the simplest words. (You never have to hire a lawyer to find out what a mail-order catalog means.) Allstate has now applied this technique in developing a pictorial, simplified insurance contract.

Besides reducing the wordage of the older standard policy, the new policy is printed in larger, more readable type, with liberal white space, plus illustrations.

—DAVIS W. ELLIS. *Sales Management*, January 15, 1952, p. 114:2.

The illustrations are from pen-and-ink drawings, and each graphically emphasizes a point in the policy. Twelve of these pictures focus attention on some provision covered by the policy, such as towing costs, buying a new car, borrowed-automobile insurance, trailer insurance, etc. Other illustrations call attention to the different forms of helpful cooperation the insured can give to the company. These include the prompt notification of the company in case of an accident, what to do about medical reports in case of injury, and how to make proof of claims.

### **Group Death Payments—An Analysis**

A STUDY of group insurance death claims paid in March, 1951, made by the Institute of Life Insurance, shows that 93.4 per cent of the certificates and 86.5 per cent of the total amount were paid in a lump sum, while 5.3 per cent of the certificates and 10.8 per cent of the total amount are being paid to beneficiaries on an annuity basis.

Females were beneficiaries under 77.6 per cent of the certificates, and female beneficiaries received 84.7 per cent of the total amount.

The study also revealed that 30.2 per cent of the insured died between the ages of 60 and 69; 25.5 per cent between 50 and 59; 19.4 per cent at 70 and over; and 4.0 per cent under 30.

—*Employee Benefit Plan Review*, Vol. VI, No. 6A

### **Industry's Accident Toll Mounting**

MORE THAN 2 MILLION WORKERS were disabled by on-the-job injuries during 1951, and of these 16,000 died—according to preliminary estimates of the Bureau of Labor Statistics.

The 1951 total of 2,100,000 disabling work injuries was 9 per cent above the estimate for 1950.

Part of this increase in the volume of injuries may be attributed to higher employment. However, work injuries increased more than employment, indicating an increase in the rate as well as the volume of injuries.

More than 42 million man-days were lost during the year by workers injured in 1951—the equivalent of 140,000 full-time employees. If additional allowance were made for the future effects of the deaths and permanent physical impairments, the total economic time-loss would amount to more than 219 million man-days—equivalent to a year's full-time employment of about 730,000 workers.

—*Labor Information Bulletin* (U.S. Dept. of Labor) 3/52

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AMERICAN FAMILIES received \$118 every second from their life insurance companies in 1950—\$3.7 billion in the year—figures compiled by the Institute of Life Insurance show.

## GROUP LIFE INSURANCE AND THE EMPLOYMENT OF OLDER WORKERS

THE CONTENTION is sometimes made that group life insurance results in discrimination against the older worker in industry. If this were true, there would be a significant disparity between the proportion of persons age 40 and over covered by group life insurance policies and the proportion of such persons in the total working population. The available information, however, shows no such disparity.

The assumption that the cost of group life insurance might have an important effect upon the continued employment of older persons also seems unreasonable. The standard monthly gross premium for \$2,000 of group life insurance (the approximate average amount per insured employee) at age 30 is \$.96; at age 50 it is \$2.56. The employer would therefore pay, on a gross basis, approximately five cents a day more for an employee at age 50 than for an employee at age 30. It is difficult to believe that any employer would weigh such a small amount in insurance savings against the much more important factors of the employee's experience, efficiency, and personality. Moreover, the employer's group insurance cost is no greater for an employee hired at age 50 than for the 50-year-old employee who has worked for him for 20 years, since the rates are based on the employee's attained age and are independent of his age at entry into the group.

If the higher cost of group life insurance for older employees were a serious problem in any particular case, there are ways of minimizing the differences between age groups. The amounts of insurance, for example, can be reduced at the upper ages where the need for life

insurance normally declines somewhat. Some group life insurance plans do provide for reductions in the amount of an employee's insurance following age 65. While this type of arrangement has been used largely with retired employees, the group insurance mechanism is flexible enough to permit establishment of a variety of cost distribution patterns if an employer is seriously concerned.

Recent studies give comparatively little attention to the effect of pension costs upon the employment of older workers. For one thing, adoption of an age limit to qualify an employee for inclusion in a pension plan is more practical than it would be for a group life insurance plan. In other words, if the cost of providing benefits for workers employed after age 50 were thought to be too great, it would be possible to limit that plan to employees hired prior to age 50. However, there would be serious objections from the employee relations point of view—not to mention state insurance laws prohibiting such a practice—if the same procedure were adopted for a group life plan (where the reduction in cost would in any case be negligible).

The existence of Federal Old Age and Survivors insurance and the extension and liberalization of that system should help remove any obstacles to employing older persons which may have existed earlier. In the absence of such a system, an employer might well have hesitated to employ someone aged 55, for example, if he felt that he alone would have to provide the employee's entire pension. With Social Security, this "burden" on the last employer is reduced substantially.

—REINHARD A. HOHAUS. *No Time to Grow Old* (New York State Joint Legislative Committee on Problems of the Aging, 94 Broadway, Newburgh, N. Y.), 1951, p. 193:3.

## Insurance Reaches Astronomical Proportions

TRILLIONS HAVE ALWAYS BEEN ASSOCIATED with the stars—perhaps because they seemed so out of reach. Now they are at hand.

The insurance business is the first to express aggregates in trillions. Life insurance outstanding in United States security units today exceeds one-half a trillion dollars.

This total is divided almost equally between private and public carriers. Veterans' insurance, including National Service Life, is more than \$50 billion and Social Security old age and survivors' life insurance over \$200 billion. Private life insurance had \$165 billion in ordinary, \$60 billion group and \$36 billion industrial. There was also \$10 billion outstanding in fraternal and assessment societies.

To those who marveled at the great popularity of the life insurance idea when hundreds of millions measured its totals, the astronomical size of life insurance in 1952 must stand as an awesome tribute to the search for security by Americans.

—*The Spectator* 2/52

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UNEMPLOYMENT INSURANCE BENEFITS were increased in 20 states this year. These states increased the maximum weekly benefit amount by sums from \$2.00 to \$7.50. Five states (New York, North Carolina, Pennsylvania, Washington, Wisconsin) and Alaska now provide up to \$30.00 in weekly benefits. Alaska also pays an additional 20 per cent of the weekly benefit amount for each dependent up to three dependents. No state now provides a maximum of less than \$20.00 per week and only 18 states have less than a \$25.00 maximum.

—*Council News* (Research Council for Economic Security) 12/51

## Also Recommended • • •

**PROGRAMMING AND RECORDING INSURANCE.** By James A. McBride, Jr. *N.A.C.A. Bulletin* (505 Park Avenue, New York 22, N. Y.), March, 1952. A company's procedures in placing insurance may be reviewed in the light of the insurance program outlined in this article and newly in force in the author's company. The steps followed and forms employed are set forth, together with the author's comments and tentative appraisal of results.

**READ THE FINE PRINT BEFORE YOU PAY INSURANCE PREMIUMS.** By Tower Belt. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), December, 1951. This article, the first in a series of reports on insurance problems in business shows how in 11 cases where business thought it was fully covered by liability insurance it was found that the policy did not cover a particular hazard. The article contains a checklist of questions which should be helpful to those who are not sure of their liabilities and the types of policies needed to cover them.

**FIRES THAT NEED NOT HAPPEN.** *The Spectator* (100 East 42 Street, New York 17, N. Y.), December, 1951. This article points out that the most effective automatic fire protection systems are those supervised and maintained by central station organizations, since they are practically proof against human error. The author describes one such station, the water-flow alarm system, which automatically summons the fire department whenever a sprinkler head opens, and, in addition, automatically detects and reports the closing of control valves, low or high air-pressure in dry pipes and pressure tanks, and other abnormal conditions.

**PROTECTING OVERSEAS PROPERTIES.** By L. J. Troiano. *The Weekly Underwriter* (116 John Street, New York 38, N. Y.), December 29, 1951. Mr. Troiano describes the measures taken by American insurers to expand their facilities for protecting American savings invested in foreign countries, concluding that today American underwriters have made it not only possible but easy for their customers to protect their properties overseas.

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HAROLD V. COES, <sup>\*</sup>*Retired Vice President*, Ford, Bacon & Davis, Inc., New York, N. Y.  
KEITH S. MCHUGH, <sup>\*</sup>*President*, New York Telephone Company, New York, N. Y.  
JAMES J. NANCE, *President*, Hotpoint, Inc., Chicago, Ill.  
WILBUR H. NORTON, *President*, R. M. Hollingshead Corporation, Camden, N. J.  
JAMES L. PALMER, *President*, Marshall Field & Company, Chicago, Ill.  
EARL M. RICHARDS, *Vice President in Charge of Planning & Development*, Republic Steel Corporation, Cleveland, Ohio.  
ERWIN H. SCHELL, <sup>\*</sup>*Department of Business and Engineering Administration*, Massachusetts Institute of Technology, Cambridge, Mass.

### Term Ending 1954

L. M. CASSIDY, *Chairman of the Board*, Johns-Manville Corporation, New York, N. Y.  
JOHN C. FLANAGAN, *Vice President and General Manager*, United Gas Corporation, Texas Distribution Division, Houston, Texas.  
CURTIS H. GAGER, *Vice President*, General Foods Corporation, New York, N. Y.  
RUSSELL B. GALLAGHER, *Manager*, Insurance Department, Philco Corporation, Philadelphia, Penna.  
FREDERICK B. HEITKAMP, *Vice President*, Daystrom, Inc., Elizabeth, N. J.  
JOHN H. MACDONALD, *Rogers*, Slade & Hill, New York, N. Y.  
GROSVENOR S. MCKEE, *Vice President—Works Manager*, Talon, Inc., Meadville, Penna.  
WILLIAM C. MULLENDORE, *President*, Southern California Edison Company, Los Angeles, Calif.  
KEITH POWLISON, *Vice President and Controller*, Armstrong Cork Company, Lancaster, Penna.  
A. A. STAMBAUGH, <sup>\*</sup>*Chairman of the Board*, The Standard Oil Company (Ohio), Cleveland, Ohio.

\* Member of Executive Committee.

† Member of Finance Committee.